

Jamaica in the Offshore Services Global Value Chain

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Acronyms

BFSI	Banking, Financial, Services, and Insurance
BPO	Business Process Outsourcing
BPIAJ	Business Process Industry Association
CRM	Customer Relationship Management
CINDE	Costa Rican Investment Promotion Agency
ERM	Enterprise Resource Management
ERP	Enterprise Resource Planning
EU	European Union
FTZ	Free Trade Zone
GDP	Gross Domestic Product
GVC	Global Value Chain
HRM	Human Resource Management
JAMPRO	Jamaican Trade and Investment Agency (Jamaica)
ICT	Information and Communications Technology
IBPAP	IT and Business Process Association (Philippines)
IP	Intellectual Property
IT	Information Technology
ITO	Information Technology Outsourcing
KPO	Knowledge Process Outsourcing
MNC	Multinational Corporation
MOEY	Ministry of Education and Youth (Jamaica)
NASSCOM	National Association of Software and Services Companies
PAJ	Port Authority of Jamaica (Jamaica)
PROCOMER	Foreign Trade Corporation of Costa Rica
R&D	Research and Development
SEZ	Special Economic Zone (Jamaica)
SME	Small and Medium Enterprises
SSC	Shared Services Center
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TVET	Technical and Vocational Education Training
TESDA	Technical Education and Skills Development Authority
US	United States

Executive Summary

This report uses the Global Value Chain (GVC) framework to examine Jamaica's position in the offshore services industry and identify opportunities for local business to improve their position in the sector. While Jamaica is in the very early stages of the value chain—all firms provide customer support services—the island offers the largest English-speaking available talent pool in the region and geographical proximity to the United States. These strengths, along with a strong telecommunications infrastructure, government support and increasing rate of graduates in fields related to professional services suggest a positive outlook for Jamaica's economic upgrading.

There are, however, country-wide constraints that threaten Jamaica's competitiveness moving forward. Quality of education is inadequate to meet the demands of the offshore services industry, with students from the tertiary level lacking the most basic technical and soft skills to become employable, even in the lowest segment of the GVC. Also, operational costs are high, office space is insufficient, and international position to attract high value-added operations is weak. Moreover adequate enforcement of the regulatory framework against cybercrime is deficient (Government of Jamaica, 2015). Furthermore, recent changes of the free zones incentives might negatively alter the country's cost competitiveness and reliability (Field Research, 2017).¹ Many of these challenges are surmountable; however, they will require a concentrated effort from a specialized institution able to monitor the implementation of the recommended strategies.

The Offshore Services Global Value Chain

The offshore services industry is characterized by the importance of human capital expertise and labor costs; value in the chain is thus determined by using skills requirements as a proxy, that is, the approximate employee education and experience required to perform different service functions for each stage. The offshore services GVC is composed by different functions organized according to the employee education and experience level; functions range from repetitive transactional processes to transformational operations that depend on analytical skills. The lowest value is captured by customer support operations included in the Business Process Outsourcing (BPO) segment; these activities are carried out by countries with large population and low labor costs, such as India and Philippines. The highest value captured is in the Knowledge Process Outsourcing (KPO) segment—comprising legal and market research services—which continues to be concentrated in developed countries by global firms.

The industry is composed of three groups of key players that govern the industry: i) captive centers or shared services centers; ii) third-party providers; and iii) domestic firms.

- **Captive centers or shared services centers (SSC).** In this model, Multinational Corporations (MNCs) such as Bayer, Coca-Cola and General Electric establish subsidiaries in developing countries to perform non-core activities such as customer care, finance and payroll among others. In this business model, MNCs wants to keep internal control of their internal operations and at the same time reduce costs.
- **Third-party providers.** Large specialized companies such as ADP, Conduent, and Teleperformance that set-up operations in key locations, using these as platforms from which they provide a wide range of IT and/or BPO services. Even though most of these

¹ It is paramount to highlight that changes of the free zone incentives were required within the framework of Jamaica's obligations with the World Trade Organization (WTO) and the International Monetary Fund (IMF).

companies are from United States and Europe, the share of Indian third-party providers has been growing since the mid-1990s.

- **Domestic firms.** Comprised by local firms in developing countries that export to both large global corporations and medium-size companies from the developed world and, to a lesser extent, developing countries.

The educational level and skills in local workforces have been key drivers of location decisions in the offshore services industry (Fernandez Stark et al., 2011). Hence, formal education is used as a preliminary screen for potential recruits; in fact, the worldwide offshore services industry employs predominantly tertiary level students and—to a lesser extent—graduates. While completion of secondary level formal education plays an outstanding role for entry-levels, this is generally complemented by further competency evaluations to measure critical skills of to-be-hired operations staff. Required competencies are consistent across countries and include critical thinking, creativity, and complex problem solving (KPMG, 2017).

The supply of offshore services is highly concentrated in India and Philippines. Within Latin America and the Caribbean, Costa Rica and Mexico have the largest regional shares. However, Jamaica has gained a foothold in recent years, with a share of 10% in total new captive centers and third-party providers delivery centers established in the region in 2016 (Everest Group, 2017e).

Jamaica in the Offshore Services Value Chain

Jamaica's offshore services industry has expanded significantly since its inception. The industry had around 3,000 employees in 2001; by 2016, employment reached to 25,141 with exports of US\$323 million (JAMPRO, 2016, 2017). In the three years between 2013 and 2016, the industry nearly doubled employment, growing by 80%. However, the expansion has been driven almost exclusively by customer support operations. Hence, in comparison with other Caribbean and Latin American locations (e.g. Costa Rica, Uruguay, Chile, Colombia), Jamaica is still in the initial phase of the offshore services GVC.

Currently, the industry is almost exclusively composed of third-party call centers from United States. Higher value-added services, such as finance and accounting, Human Resources management, or IT support, are being gradually incorporated by third-party providers, but in the great majority of cases, process-based and judgement-based activities represent a very small share of the operation's revenues and workers (JAMPRO, 2017). However, Jamaica benefits from the presence of leading players of the BPO offshore services GVC, including Teleperformance, Alorica, Conduent, Concentrix, and Sutherland Global Services. Globally, three of these companies participate not only in the low and high-end BPO segment of the value chain, but also in vertical industries, including financial services, life sciences, and insurance (Field Research, 2017).

During the last 10 years, functional upgrading is present but weak. At the end of 2017, most third-party providers' revenues came from the same type of task that was brought to the country in the first place: customer support. Nonetheless, some captive centers indicate that in the last five years, they have been incorporating higher value-added activities, such as finance and accounting, human resource management, designing and technical support, employing a higher share of tertiary graduates, including accountants, human resources professionals, designers, and programmers. Furthermore, during this stage, two companies began to develop shared services units, centralizing high-end BPO activities, including audit support, payroll processing, human resources, project management, market research, and finance and accounting, among others. While these features

have defined the Jamaican industry since its inception, there has been recent industry evolution (Field Research, 2017).

In the next years, the industry is planning to incorporate more seats in the low-end BPO segment, but also in higher value-added segments. It is projected that in the next 3 to 4 years employment in the BPO segment doubles, reaching a minimum of 50,000 employees to a maximum 80,000 (Field Research, 2017). The promising outlook is based on the following advantages:

1. **Nearshore location.** Jamaica's geographic position, distance to the US and cultural affinity with this market makes the country an ideal nearshore location. While many other competitors in the region—especially in South-America—have adopted the 'nearshore advantage' as a component of its value proposition, Jamaica is definitely closer to the US.
2. **Largest English-speaking population in Latin America and the Caribbean, with strong cultural affinities to US and UK client markets.** Jamaica's population is 2.7 million, the largest among English-speaking Caribbean countries, with a labor force that doubles Trinidad and Tobago's, one of its closest competitors. As a result, the island can position itself as the regional nearshore provider with the largest scale potential.
3. **Competitive labor and rental costs.** Jamaica's entry-level non-voice BPO salary is around US\$500-US\$650 a month (Tholons, 2016). Maximum wages in the customer service area are approximately 46%, 23% and 85% lower than in Barbados, Costa Rica, and Guatemala, respectively; hence, Jamaica has an edge over several probable competitors in Latin America and the Caribbean, at least in terms of salary rates. In addition to low labor costs, Jamaica offers one of the lowest costs of rent of 'Class A' office spaces, compensating for high electricity rates in the island (Tholons, 2016).
4. **Robust telecommunications infrastructure.** Jamaica's fixed broadband speed is above the speed of two of the most successful locations for high-end BPO operations in the region, Uruguay and Costa Rica (Speedtest Global Index, 2017). According to private stakeholders, the telecom infrastructure is one of the most significant advances in the last 10 years. Furthermore, improvements in internet speed and network readiness has enabled companies to expand their operations and provide solutions to more exigent clients (Field Research, 2017).
5. **Prioritized industry by the government.** The offshore services industry is a prioritized sector under the National Export Strategy of Jamaica. This effort combines with other initiatives such as the creation of a 'National Strategy for the Development of Jamaica's Outsourcing Industry', the launch of a 'National BPO Task Force', and the design and development of technological parks and reflects the government's commitment to expand the industry.
6. **Ongoing projects to provide office spaces for IT-BPO locators.** The Port Authority of Jamaica and the Factories Corporations are currently constructing more than 250,000 square feet of new purpose-built space and retrofitting an additional 50,000 square feet of existing buildings for the offshore services industry. In addition, approximately 800,000 square feet of space is under construction by the private sector. This brings the total

additional square feet of spaces to over 1 million as represented by both public and private entities (HEART Trust/NTA, 2017).

Despite these strengths, there are multiple challenges, some of which have become particularly pronounced in recent years. The most prominent include:

- 1. Inadequate quality of education, inequitable access to tertiary studies, and brain drain.** The education system fails to provide students with the skills required by the offshore services industry. The most prominent shortcomings include technical skills (basic computer literacy, communication, written and oral English), soft skills (work ethic, leadership, service orientation and multi-tasking), and relevant domain proficiencies (accounting, data encoding, graphic design, web analytics, audit) to ensure quality delivery of high value-added services. As a result, the sector is suffering from low levels of viable candidates—estimates are that only between 1% and 3% of individuals interviewed are hired (Field Research, 2017). In addition, access to tertiary studies is limited and brain drain is high.
- 2. The reactive training initiative implemented to drive the expansion of the BPO industry encounters both design and implementation challenges.** The recent training initiative developed by BPIAJ and HEART Trust/NTA suffers from several challenges to attain support the industry expansion and future economic upgrading, including: inadequate target group, weak institutional capacity and instructional proficiency among the trainers, insufficient training time, absence of internships, erratic student recruitment, and meager private sector participation (Field Research, 2017).
- 3. Negative perception of the BPO industry.** In Jamaica, the BPO industry holds a negative perception: jobs are seen as ‘stop-gaps’, a short-term option and undesirable government strategy to mend the unemployment dilemma (Field Research, 2017).
- 4. High operational costs.** In 2014, the commercial price of electricity in Jamaica reached 247.78 US\$/MWh., over one and a half times higher than the global average. Jamaica’s electricity cost almost doubles Trinidad and Tobago’s and is 1.36 higher than Costa Rica’s (Climatescope, 2016).
- 5. Alteration of the free zones incentives incorporating new fees and regulations.** Due to obligations with the International Monetary Fund (IMF) and World Trade Organization (WTO), Jamaica had to reinvent the Special Economic Zone framework. This resulted in the elimination of several fiscal benefits and addition of applications fees, as well as red tape and bureaucracy (Field Research, 2017). Offshore services firms might become less competitive as a result of fiscal charges; this change is especially inconvenient to businesses that are transitioning towards new activities as they will not benefit from previous grants and are facing several regulatory and competitiveness challenges. 4
- 6. High rate of crime and deficient enforcement of cybercrime laws.** Despite a significant decline in violent crimes and serious crimes since 2009, Jamaica still has a

homicide rate notable significantly higher than both the regional and global averages.² While the costs cut across society, the high murder rate creates additional costs for offshore services operations, which need to invest in extra security beyond most locations. Also, in spite of government efforts and recent declines of lotto scamming, the country lost US\$100 million with more than 200 reported cases of cybercrimes in 2016 (The Gleaner, 2017). In addition, adequate enforcement is lacking due to deficiencies in the capacity, processes and technology to properly investigate and prosecute cybercrimes (Government of Jamaica, 2015).

- 7. Shortcomings in the implementation of the national strategy.** Individuals responsible for implementing the actions towards the accomplishment of the National Strategy for the Development of Jamaica's Outsourcing Industry are frequently unable to execute an effectivity authority and obtain results in a timely manner, due to lack of commitment amongst employees/agents within public organizations leading the National BPO Task Force (Field Research, 2017). While each task force member is considered the lead implementing agency in a specific area of responsibility, commitment drawbacks within the agents' level create an undeserved challenge for this body.
- 8. Weak international positioning as an offshore services location.** Jamaica's brand as a nearshore location is not compelling enough to create an attractive identity in the GVC, particularly in high-BPO and KPO segments. International marketing activities are still largely focused on events and conferences in the call-center industry (Field Research, 2017). In addition, Jamaica's international positioning, it is required to address the statistics and information challenge that revolves around the quantity of human capital available for the industry.

Other emerging and mature offshore services countries have utilized different strategies for overcoming similar impediments. Uruguay's Global Services Program provides a strong example of a solid institution acting as a representative body and helping drive economic upgrading. The GSP has developed strong skill development instruments, providing companies with incentives that cover between 40% and 70% of their training plans (GSP, 2017). Similarly, Costa Rica's 'Tools for Success Plus' provides technical high-school students full scholarship to improve English language (CINDE, 2015b).

Although there are important points of differentiation between Jamaica and these countries—both Uruguay's and Costa Rica's exports per employee are significantly higher than Jamaica, and both have entry the GVC in higher stages—there are significant lessons that can be learned by Jamaican stakeholders as they attempt to support the current expansion of the low-end BPO industry and develop a position as a prominent nearshore location for higher-end segments of the GVC. The most immediate of these include the following:

- In economies with scale constraints, institutions play a very important role in the attainment of economic upgrading.
- Skill development strategies should be supported by an agile and efficient framework.

² In 2015, intentional homicides per 100,000 people in Jamaica stood at 43, over seven times higher than the world average, 11.5 points higher than Caribbean Small States and 20 points higher than Latin America and the Caribbean average (WBI, 2017). This makes Jamaica the 4th highest murder rate worldwide.

- Training initiatives should be targeted at individuals enrolled in a tertiary degree.
- Strong public-private coordination is paramount.
- Rapid expansions in employment can create severe challenges for a small country's competitiveness.
- Strategies aimed at improving the available skills should be designed with the ultimate goals of encouraging FDI and after-care.
- In the offshore services industry, the value proposition of the country for its international promotion should be consistent across all stakeholders.

Jamaica's potential upgrading can employ similar strategies while addressing the country's location-specific challenges. Specifically, Jamaica can attempt to following trajectories:

1. **Short-term process upgrading to improve the productivity of the labor force and support the expansion of the low-end BPO industry.** Even though this challenge is currently trying to be alleviated through the CEEO Program implemented by HEART Trust/NTA, the initiative is already facing several challenges both in terms of quality and quantity (Field Research, 2017). The most important constraints are two-fold: i) the Government is trying to solve the human capital challenge of the BPO industry with school leavers and unemployed youth; and ii) the private sector is not involved in the training process (Field Research, 2017). Both characteristics run counter to global standards and best practices from small economies, which show that training interventions are most effective when target populations have completed 12 years of education and enrolled in tertiary level studies and the private sector is directly involved in the training process. Widely adopted interventions that have been successful in small-scale countries also include tax break incentives and incentives for training developed by the companies in specific skills.³
2. **Short-to-medium term product upgrading within the BPO segment.** Despite its small share in the current industry, the high-end BPO segment is a promising avenue of economic upgrading for Jamaica. The country appears poised to move up the BPO segment by both incorporating higher-end operations in established companies and attracting new multinational firms. However, the bulk of jobs will likely remain concentrated in the low-end of the BPO segment. Within this product upgrading trajectory, the most attractive opportunity is to enter the shared services English-oriented market. Jamaica has the capacity to become a truly nearshore English-speaking location for shared services centers, offering a decent and growing size of an untapped talent pool—13th graders enrolled in the tertiary level as well as university and tertiary college graduates—that can perform agile-judgment-based services such as finance and accounting, human resources management, and market research. In the last five years, two foreign companies established in Jamaica have implemented successful shared services operations providing these types of services to regional affiliates and international headquarters, with both growing at rapid rates. Based on the success of these operations and the growing figure of professionals in the F&A field, proactive interventions focused on enhancing the skills of 13th graders enrolled in tertiary

³ This strategy is commonly denominated 'demand specific' finishing schools, defined as trainings to reduce the gap between one industry skills requirement and the available skills within the labor pool, through a training support that aims at complementing—not substituting—formal education (Ferrari & Couto, 2017; Garcia & Bafundo, 2014).

education and attracting higher-end BPO operations will provide Jamaica the opportunity to alleviate its brain drain, encourage entrepreneurship and promote innovation.⁴

- 3. Long-term functional upgrading to move into the KPO segment (Legal Process Outsourcing).** Functional upgrading requires completely new skills to be sourced from the labor market. The Legal Process Outsourcing (LPO) subsegment demands tertiary level students or experienced workers in the field—this has proven difficulty for KPO firms in Jamaica as there is limited qualified labor available in the workforce. However, the island has experienced recent growth in the number of attorneys and law professionals grew, doubling the amount of available talent pool for LPO in the 2013-2015 period (PAJ, 2017). This upgrading will require future-oriented interventions in education; namely, improvements in skills from very early ages up to the tertiary level. Interventions elements include solid literacy and numeracy programs, tools for the world of work, high quality technical and tertiary education, and soft skills training aligned to local challenges such as work ethic, communication skills, fostering the desire to learn, teamwork, problem solving, and adaptability.

⁴ Professionals, senior offices and technicians in the finance and accounting field increased from 4,824 in 2013 to 6,409 in 2015, experiencing a 33% increase (PAJ, 2017).

I Introduction

Jamaica is an emerging nearshore location for customer support operations. With 48 offshore services companies exporting US\$323 million in 2016, the number of employees has nearly doubled in the 2013-2016 period, rising to 25,144 workers in 2016 (JAMPRO, 2016).⁵ The substantial growth in the last five years has led to hopes of further expansion in the medium term. As a result, the government is allocating a large amount of resources to support the sector, improving the employability of the labor force and creating regulatory frameworks that align with industry needs (Tingling, 2017).

Jamaica entered the industry in the early 2000s. With the largest English-speaking available talent pool in the region and geographical proximity to the United States, the nation is well-positioned as a preferred location for nearshoring, which describes offshoring business activities in nearby geographic locations. Competition, however, has grown considerably in recent years as other countries have begun vying for the opportunity to participate in the global services sector. In Latin America alone, the majority of governments are actively recruiting offshore services providers; these governments hope to attract offshore services Multinational Corporations (MNCs) by virtue of the availability of educated human capital, inexpensive labor and good telecommunications infrastructure. As more countries enter the industry, it is becoming more difficult to compete based on costs, especially for smaller nations with limited labor pools such as Jamaica. These countries must thus develop creative strategies based on niche sectors, differentiating themselves from competitors based on the premise of quality rather than quantity and government support.

Despite being in the earlier stages of development in comparison with regional competitors such as Costa Rica and Uruguay, Jamaica has been successful in attracting some of the top third-party providers. Within the high-end BPO segment, many of these firms have incorporated higher value-added tasks in recent years and are beginning to develop projects. Although small in numbers, captive operations have also shown signs of economic upgrading through the creation of small 'boutique' shared services operations.

Stakeholders such as Jamaica's trade and investment promotion agency (JAMPRO), the Business Process Industry Association (BPIAJ) and private companies have worked together to address human capital and infrastructure needs as they have emerged. In addition, the country is in the early stages of implementation an offshore services strategy that aims at expanding employment in the low-end BPO segment of the GVC. However, the country lacks a 'new wave' strategy that would identify a plan of action to secure upgrading trajectory in the sector. To address some of Jamaica's challenges, stakeholders will need to create a specialized body with a specific budget and team that supports the National BPO Coordinator's work, i.e. the implementation of the five-year National Strategy for the Development of Jamaica's Outsourcing Industry. Both initiatives will help to provide a solid vision for the future of the industry.

The goal of this report is to determine how Jamaica is currently participating in the offshore services industry, identify opportunities to increase its gains from participation, and examine the key challenges that may detract from its ability to take advantage of these possibilities.

⁵ Provided that the country has not yet entered the Information Technology Outsourcing (ITO) nor the KPO Knowledge Process Outsourcing (KPO) segment, these figures represent the Business Process Outsourcing (BPO) industry alone.

This report uses the Duke Global Value Chain Center (Duke GVCC) framework to assist local and regional stakeholders' efforts to appreciate the global structure of the sector and identify new areas for upgrading, as well as to develop a strategy for the future. The Global Value Chain (GVC) framework helps understand how this global industry is organized by examining the structure and dynamics of different actors involved. The framework is also a useful tool in tracing the shifting patterns of global demand and supply, linking geographically dispersed activities and actors, and determining the roles they play in developed and developing countries alike.

The paper is structured as follows: It first provides an overview of the offshore services Global Value Chain to present a clear understanding of the scope of the industry, how markets are structured and how changing distribution of demand and supply destinations alter structural dynamics. It then analyzes the domestic industry within Jamaica, first detailing the country's position in the chain as well as recent export and investment trends. After examining Jamaica's position in the chain, it outlines the organization and governance found in the local landscape. The final sections of the paper concentrate on analytical rather than descriptive detail. After assessing the advantages and constraints observed in Jamaica, it looks to Uruguay and Costa Rica for comparative case studies. After detailing the lessons learned for Jamaica, the report concludes by outlining potential upgrading strategies to enhance the country's competitiveness.

2 The Offshore Services Global Value Chain

The offshore services industry encompasses the trade of services performed in one country and consumed in another, as well as firms' decisions to unbundle their corporate functions or activities, such as customer support, finance and accounting, human resource management, procurement operations, and perform them anywhere in the world (Fernandez Stark et al., 2011; Gereffi et al., 2011). The industry is composed of general business services that can be provided across all industries, as well as services that are industry specific. The first category includes three main segments:

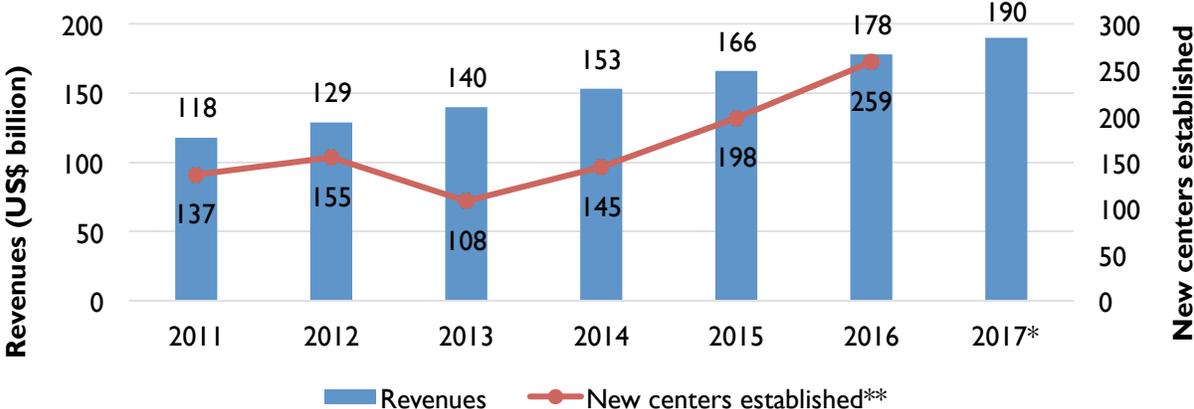
- Information Technology Outsourcing (ITO) is the basic building block for the offshore services value chain and is centered around the production and use of software.
- Business Process Outsourcing (BPO) is a highly diverse category that contains activities related to the management of business functions.
- Knowledge Process Outsourcing (KPO) refers to specialized activities that often require professional licensing, such as in the medical, legal, and accounting fields.

2.1 The Global Offshore Services Industry

In 2017, the estimated market size of the global offshore services industry was US\$185-190 billion, showing an annual growth of about 6-8% with respect to 2016 and a CAGR of 7% in the period from 2013 to 2017 (Everest Group, 2017b). The global market also witnessed a growth trend with respect to an increasing number of captive centers and third-party delivery centers, which grew at a CAGR of 11% in the 2011-2016 period (Figure 1).⁶ According to 2016 data, the industry employs about 6 million people around the world (Everest Group, 2017b).

⁶ Captive centers are MNCs subsidiaries established in developing countries to perform non-core activities such as customer care, finance and payroll among others. Third-party delivery centers are subsidiaries from large specialized companies that set-up operations in key locations from which they provide a wide range of IT and/or BPO services.

Figure 1. Global services revenue and growth, and new centers established

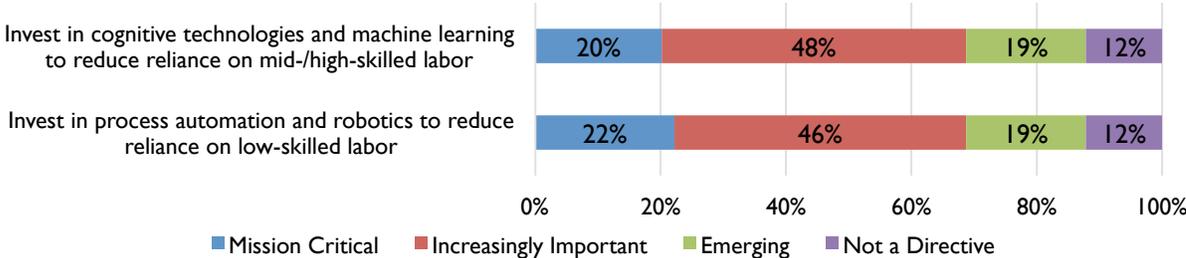


Source: Everest Group (2017). **Notes:** * Estimation; **Includes captive centers and third-party service provider delivery centers

Three major trends have shaped the global offshore services industry in recent years: (1) Automation; (2) Servicification; and (3) Higher growth in nearshore locations compared to offshore locations.

- Automation.** Automation has the potential of not only displacing human activity but also reducing the need to establish offices abroad or hire offshore teams to access less expensive labor (Tarsh, 2017). The threat would be even larger for call-center jobs, provided that new technologies are likely to abolish basic voice-based positions (or at least, less growth) and create more complex jobs for individuals with better language skills in America and Europe (The Economist, 2016). To date, there is no agreement on the number of jobs that will be lost due to automation. While consultancy firms predict seismic losses, others are significantly more conservative.⁷ As indicated in Figure 2, according to the companies itself, automating tasks is a critical mission for only 22% of operations’ leaders, but increasingly important for almost half of Shared Services Centers (KPMG, 2017).

Figure 2. Level of importance of digitation and automation within C-suite directives of shared services centers operations

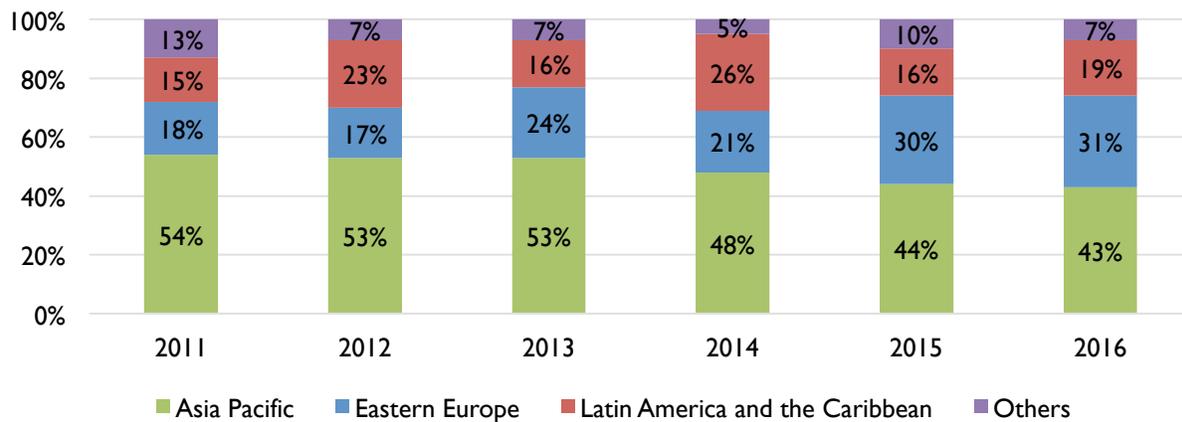


Source: Authors based on (KPMG, 2017)

⁷ While McKinsey believes as much as 45% of current jobs could be replaced, HfS Research indicates that automation is only reducing employees’ time in routine work, improving its productivity and efficiency, but without removing entire offices (HfS Research, 2016).

- **Servicification.** Servicification is the increase of service content in economic activities, particularly in the manufacturing sector (Lanz & Maurer, 2015). This phenomenon increases the opportunity for developing countries to move up the value chain not only as final products but as intermediates in both manufacturing and service production. Also, the international fragmentation of manufacturing production in GVC are accompanied by higher service inputs such as telecommunication, transportations, and research and development services (Thangavelu et al., 2017).
- **While Asia Pacific still is the leading supplier, its share is declining.** The composition of the global industry indicates severe variations between 2011 and 2016, with Asia Pacific's number of new centers declining by more than 10 percentage points (Figure 3). At the same time, Eastern Europe increased its share almost 1.5 times within this period. Even though Latin America and the Caribbean (LAC) shows a relatively higher share in 2016, its variation is quite volatile.

Figure 3. Geographical distribution of new centers (2011–2016)



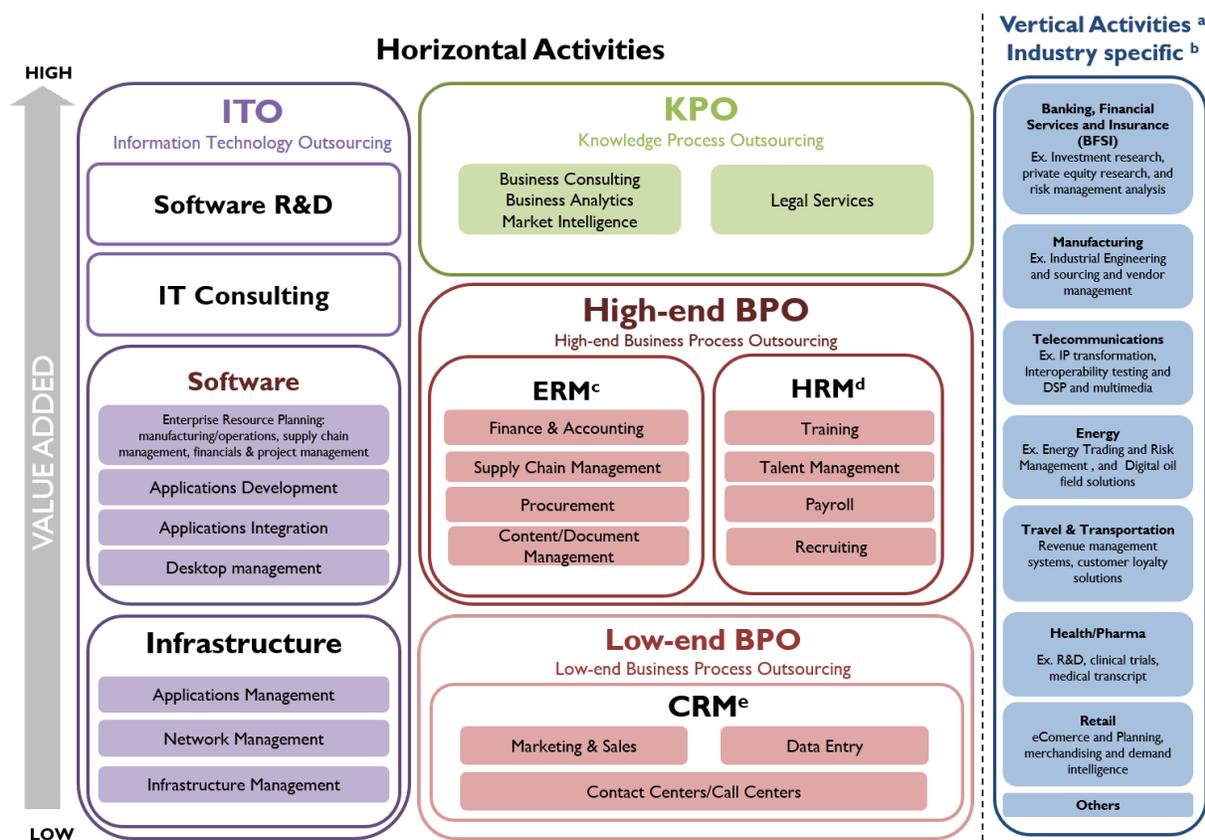
Source: (Everest Group, 2017b).

Notes: distribution includes captive centers and third-party service provider deliver centers.

2.2 Offshore Services Global Value Chain

The offshore services GVC is composed by different functions organized according to the employee education and experience level. As seen in Figure 4, the GVC can be subdivided in horizontal services provided across all industries (presented on the left of the diagram) and vertical services specific to particular sectors of the economy (presented on the right).

Figure 4. Offshore Services Value Chain



Source: CGGC, Duke University. **Note:** Each industry has its own value chain. Within each of these chains, there are associated services that can be offshored. This diagram captures the industries with the highest demand for offshore services. ^(a) This graphical depiction of vertical activities does not imply value levels; ^(b) Each industry may include ITO, BPO and advanced activities.

The activities included in horizontal services support generic business functions and rely on process expertise. These services range from repetitive transactional processes to transformational operations that depend on analytical skills. There are three main segments:

- **Information Technology Outsourcing (ITO)** includes services such as network management, applications development, IT consulting and software research and development (R&D). These services range from low to high value and, in fact, 80% of the ITO market correspond to IT bundled services, defined as several services as one combined product (KPMG, n.d.). The ITO segment accounts for the majority of the global outsourcing industry revenue, capturing around 69% of worldwide revenues (TPI, n.d.).
- **Business Process Outsourcing (BPO).** The segment accounts for around one quarter of the offshore services industry (ISG, 2017).⁸ It can be subdivided into two categories: low-end BPO and high-end BPO. The lowest end of the segment, comprised by transactional-based tasks within the *Customer Relationship Management* subsegment accounts for only 3% of the total market. The highest end of the segment accounts for 97% of the total market. It

⁸ Data only considers contracts with a total contract value of more than US\$25 million.

comprises repetitive yet judgement-based activities that can be further categorized in *Enterprise Resource Management* (e.g. supply chain management, finance and accounting, procurement) and *Human Resource Management* (e.g. training, payroll). Most revenue from the BPO segment is derived from processes highly connected to trade in goods and commodities (*Supply Chain Management*), accounting for 81% of the entire segment. The rest of processes pertaining to ERM and HRM capture less than one fourth of the BPO segment (Statista, 2017).

- **Knowledge Process Outsourcing (KPO)** includes higher value services such as market intelligence, business analytics and legal services. KPO services encompass the highest value of horizontal services in the chain. Due to the complexity and level of sophistication of the segment, the entire market size is difficult to estimate. The global legal process outsourcing market is estimated at US\$2.35 billion in 2015, with 80% of the projects being offshored (GVR, 2016).

Vertical services, on the other hand, require specific industry knowledge. These services may be so highly specialized to their sector that they have limited applicability in other industries; for example, check processing in the banking sector, clinical trials in the pharmaceutical industry and transcription services in the medical sector are all vertical services (Fernandez Stark & Gereffi, 2016).

In the GVC literature, value is generally determined by examining the transformation of inputs to outputs at each stage. Inputs in the services sector, however, are intangible, including factors such as customer service, analytical and communication skills. This creates difficulties in accurately depicting “value-add.” Industry analysis shows that participation in different stages of the GVC depends on two key factors: labor costs and expertise (Fernandez Stark et al., 2011). Value in the classification scheme presented in Figure 4 is thus determined by using human capital requirements as a proxy, that is, the approximate employee’s education and experience level required to perform different service functions for each stage (Fernandez Stark et al., 2010).

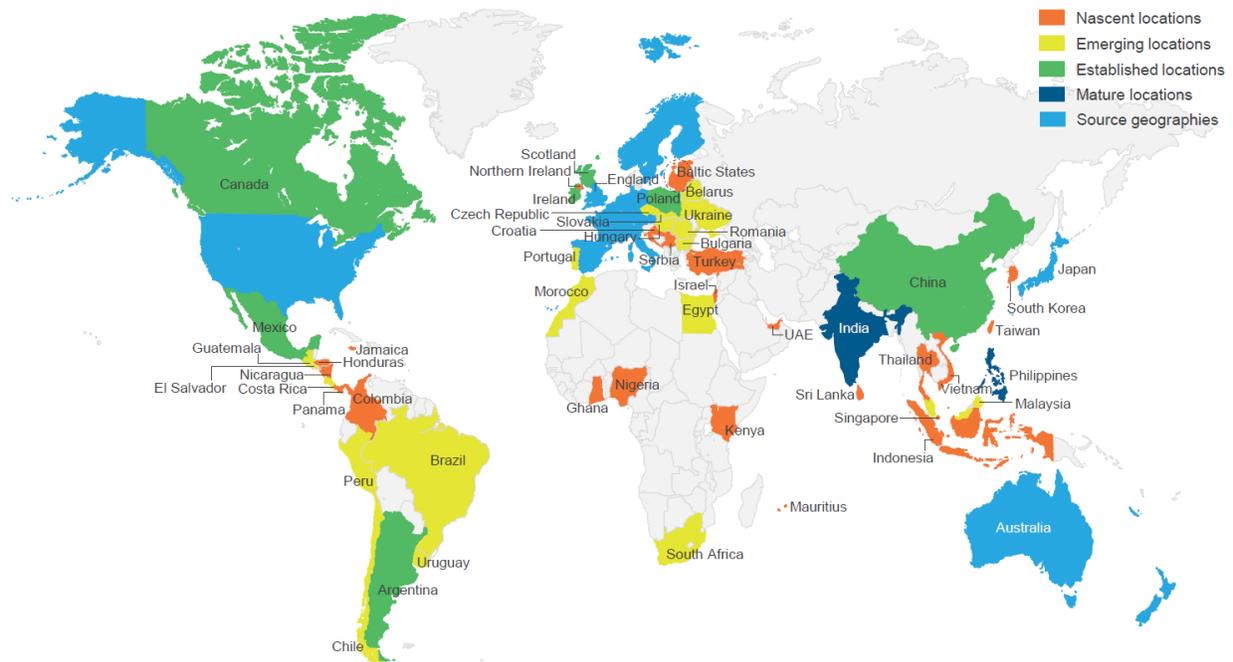
Employees located in the lower part of the value chain diagram have less education and experience, while the employees in the upper section of the value chain are more educated and have more years of experience. By indicating the human capital required at different levels of the offshore services value chain, this classification scheme provides decision-makers with an instrument for determining where they may be best suited to play a role in the industry (Fernandez Stark & Gereffi, 2016).

2.3 Distribution of Supply and Demand in the Offshore Services Global Value Chain

Overall, the industry expanded based on low-cost, yet educated labor forces around the world. While India was the first country to become a significant supplier of offshore services, creating 2.6 million jobs by 2016, other mature country providers have also emerged (Everest Group, 2017b). These include the Philippines—a call center powerhouse that accounts for 20-22% of global employment in 2016—China, Mexico and Poland. Emerging locations, defined as containing 15–50 centers of offshore services, are mainly concentrated in Central and Eastern Europe and Latin America and the Caribbean (Everest Group, 2017b). There are also nascent locations, with 5–15 centers of offshore services, emerging in LAC. Traditionally, the US, Canada, Western Europe and

Australia act as the largest buyers of offshore services (Fernandez Stark et al., 2011). Figure 5 illustrates the geographical distribution of supply and demand (source geographies) in this industry.

Figure 5. Dynamics of supply and demand in the Offshore Services GVC (2016)

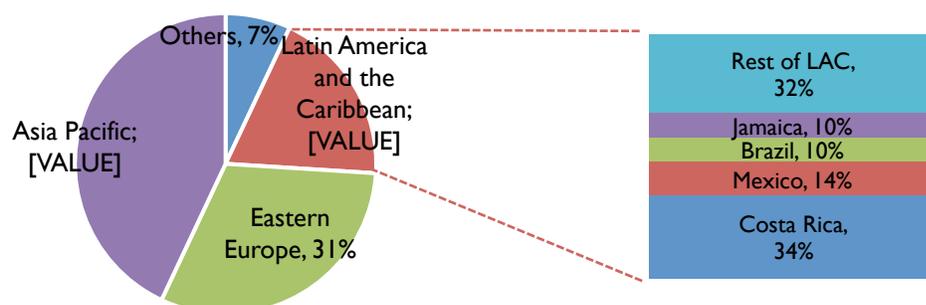


Source: (Everest Group, 2017b). **Notes:** Analysis based on headcount for offshore services exports in 2015, i.e. FTEs employed locally in global services exports across IT and BPO activities. **References:** Nascent locations (<20,000 FTEs); Emerging locations (20,000 – 100,000 FTEs); Established locations (100,000-500,000); Mature locations >500,000 FTEs). Information is based on country or city-level investment promotion agencies, global services organizations, and Everest Group.

2.3.1 Global Supply

The supply of offshore services is highly concentrated in India and Philippines; together, these two countries account for 43-45% and 20-22% of total employees in the global industry while also generating 45% of total revenue (Figure 6). Eastern Europe accounted for 13-18% of earnings, followed by Latin America and the Caribbean (10-15%) and Canada (8-10%) (Everest Group, 2017d). Despite the fact Costa Rica and Mexico have the largest regional shares (34% and 14%, respectively), Jamaica has gained a foothold in recent years. In 2016, the island captured 10% of total new captive centers and third-party provider delivery centers established in LAC (Figure 6).

Figure 6. Distribution of new centers*, by region and country (2016, %)



Source: Authors based on (Everest Group, 2017d).

Note: (*) Includes captive centers and third-party service provider deliver centers.

In terms of cities, Delhi and Manila are the leaders within the English low-end BPO segment (customer support). Major centers in LAC can be divided into two categories: 1) low to medium-cost locations with moderate availability of human capital, including Guatemala City, Monterrey, Cape Town, and San Jose; and 2) low-cost aspirants with low scalability possibilities, including San Salvador, Bogota, Lima, and Kingston (Everest Group, 2017b).

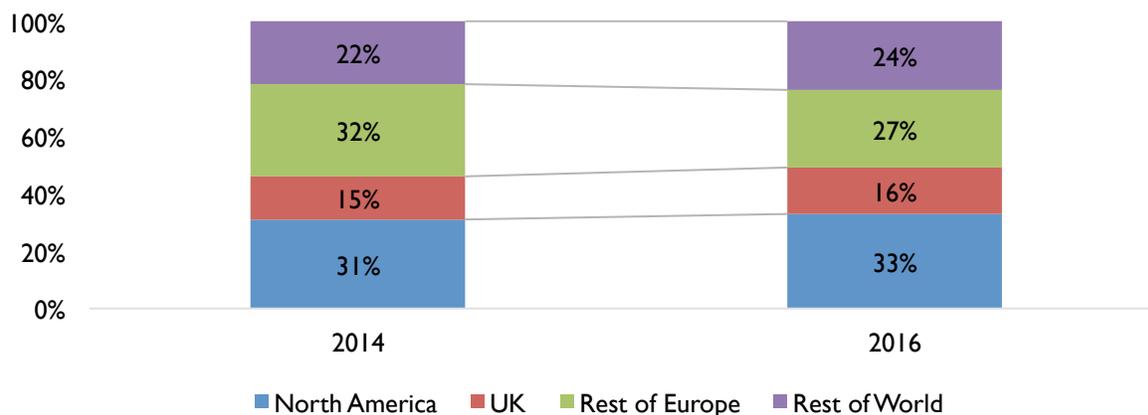
With offshoring locations such as Chile, Costa Rica, and Uruguay beginning to consolidate their positions in the chain, LAC is emerging as an important offshore services provider. The continent offers two distinct advantages over other low-cost locations: time zone positioning and language skills with respect to the North American market. In addition, numerous Latin American governments have developed policies to attract offshore services providers and captive centers from MNC, leveraging the advantage of offering educated and inexpensive labor force compared to developed countries.

While more populated nations can afford to compete on labor savings alone and continue to attract foreign investment, smaller countries with limited labor pools should entice firms with higher value propositions (Fernandez Stark et al., 2013). For example, as Uruguay began to lose competitiveness in segments requiring a large number of workers with basic educational backgrounds, the country shifted its focus to higher value activities that require specialized expertise, i.e. shared services operations related to finance and accounting. Smaller countries need to compete on quality rather than quantity, identify niches and, in the long term, develop opportunities to collaborate instead of competing with countries in the region.

2.3.2 Global Demand

Demand is concentrated in developed countries, with high-income countries controlling ownership of both the companies that establish captive centers and firms that outsource to third-party providers in developing countries. As indicated in Figure 7, the largest buyer of the GVC offshore services industry is North America (namely United States), accounting for 33% of the outsourcing deals announced in 2016. European Union and UK follow with 27% and 16% of total share. The rest of the world—namely, Australia—accounts for the rest of the market (Everest Group, 2017b, 2017c).

Figure 7. Outsourcing deals announced by buyer geography (2016, %)



Source: (Everest Group, 2017c).

2.4 Lead Firms and Governance

The industry is composed of three groups of key players that govern the industry: i) captive centers or shared services centers; ii) third-party providers; and iii) domestic providers. These actors utilize different legal forms, either by establishing wholly owned-subsidiaries and/or subcontracting providers abroad. The goal of these companies is reducing operational and labor costs, as well as taking advantage of country's strengths, including time zones, business environments, and human capital. Each group is examined below:

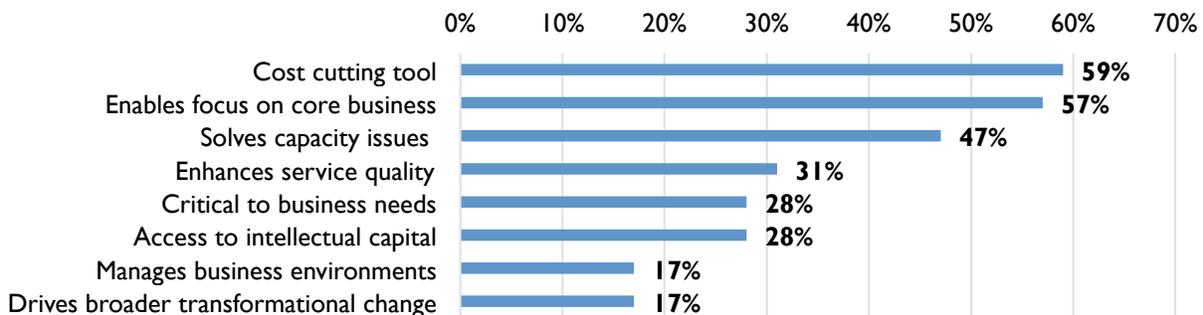
- The first group of companies is named captive centers or shared services centers (SSC). In this model, MNCs such as Bayer, Coca-Cola and General Electric establish subsidiaries in developing countries to perform non-core activities such as customer care, finance and payroll among others. In this business model, MNCs want to keep internal control of their internal operations and at the same time reduce costs. The number of SSCs—in terms of offshore services operations—continues to rise year after year, from 20% in 2013 to 31% in 2015 and 53% in 2017 (Deloitte, 2017). Four out of the five most popular functions for SSCs belong to the BPO segment, more precisely Finance (88%), Human Resources (63%), procurement (37%), and tax (32%). IT services capture 53% of SSCs functions (Deloitte, 2017).
- Third-party providers are large specialized companies such as ADP, Conduent, and Teleperformance that set-up operations in key locations that serve as a platform from which they provide a wide range of IT and/or BPO services. Even though most of these companies are from United States and Europe, the share of Indian third-party providers has been growing since its inception in the mid-1990s; currently, they represent 24% of the top 50 BPO providers, six percentage points more than in 2014 (Everest Group, 2017a).⁹

⁹ In 2017, 56% and 18% of the Top 50 BPO third-party providers were headquartered in North America and Europe, respectively (Everest Group, 2017a).

- The third group of players of the service offshoring GVC is comprised by local firms in developing countries that export to both large global corporations and medium-size companies from the developed world and, to a lesser extent, developing countries. In the mid-2010s, domestic providers crowded out from the bulk of the global services industry; however, most of the smaller domestic companies have been driven to providing outsourcing services to local markets and a few developed niche market strategies (Fernandez Stark et al., 2011).

All three groups of firms have sought cost advantages through the geographic separation of activities and sourcing from low-cost locations that were capable of providing services to acceptable standards.¹⁰ As such, the industry provides a clear illustration of how globalization has provided opportunities for both employment and business formation in developing countries where appropriate skills are present (Fernandez Stark et al., 2011). In addition to the labor arbitrage advantage, lead companies explore both providers and locations that enable them to focus on the core business, and enhance service quality (Deloitte, 2016). Similarly, in 2017, cost of services is viewed as the top priority for SSCs’ business unit customers, overtaking timeliness of response, which was the top priority two years before (Figure 8).

Figure 8. Leading drivers for using outsourcing services worldwide (2016)



Source: (Deloitte, 2016). **Notes:** 85% of respondents are from organization with over US\$1 billion in annual revenues; respondents have operations in the following regions: 90% North America, 65% Europe, 56% Asia Pacific, 50% South America; 40% Middle East, 33% Africa.

2.5 Human Capital and Workforce Development in the Offshore Services Value Chain

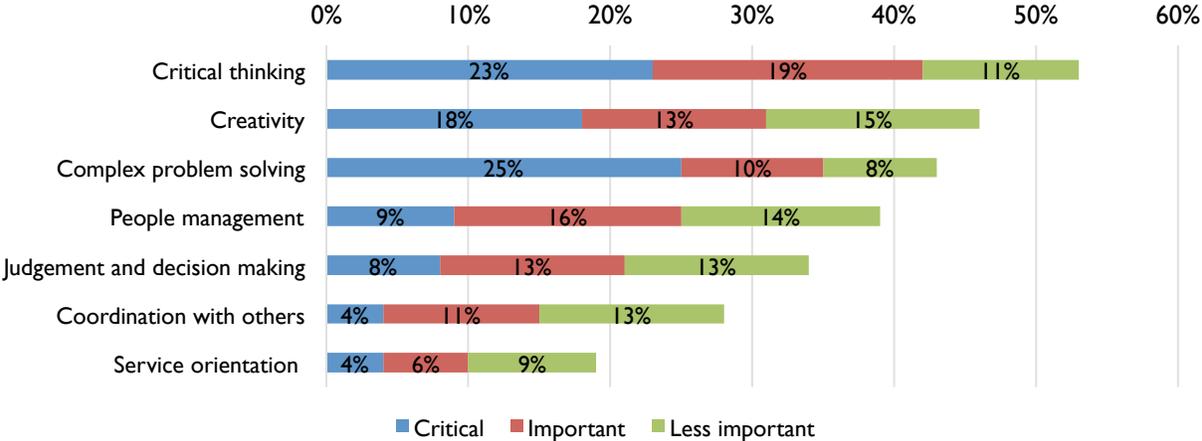
The educational level and skills in local workforces have been key drivers of location decisions in the offshore services industry (Fernandez Stark et al., 2011). Table I outlines the different educational profiles and training requirements for each segment of the GVC. Strategic investments in workforce development by the public and private sectors have facilitated both market entry and upgrading to higher value segments of the industry. These include selective competency-based hiring, minimum formal education, induction sessions, specialized and on-the job training, skill certification, mentoring, and leadership development programs (Fernandez Stark et al., 2011).

¹⁰ See Section 2.6.

These competencies differ according to the service performed in the value chain. In higher-value ITO and KPO activities, for example, in addition to formal tertiary education, globally recognized certifications are almost as important as signal quality and skill level of potential employees. These can include working knowledge of global software platforms (e.g. Microsoft, Cisco, and Oracle certifications) or development of financial analysis skills (e.g. CFA certification from the global CFA institute). As the industry continues to grow and evolve both at the global and local levels, diverse models of preparing, engaging, and developing current and potential employees for different stages of the value chain have emerged across developing countries.

As can be seen in Table I, formal education is used as a preliminary screen for potential recruits; in fact, the worldwide IT-BPO industry employs predominantly tertiary level students and—to a lesser extent—graduates. However, this can vary significantly by country; while the minimum level of formal education required to work in the BPO sector could be a high school diploma, the same position may sometimes require a college degree. While completion of secondary level formal education plays an outstanding role for entry-levels, this is generally complemented by further competency evaluations to measure critical skills of to-be-hired operations staff. Required competencies are consistent across countries and include critical thinking, creativity, and complex problem solving (Figure 9).

Figure 9. Top 3 skills in the offshore services GVC (2016)



Source: (KPMG, 2017).

In terms of gender, the great majority of employees in the BPO segment are women and young workers. To illustrate, worldwide women account for 71% of total FTE in the global call center industry (Hultgreen, 2018). In developing countries, the low-end of the BPO segment is highly valued for its high employment potential for relatively skilled, but often marginalized, female and youth labor. Thus, entry into the offshore services GVC through BPO favors female employment, creating new cohorts of better-paid professional women with transferable skills (Ghada, 2013).

Table I. Job Profiles in the Offshore Services Global Value Chain

Position	Job Description	Formal Education Requirements	Training/Experience	Skill Level
ITO				
IT Technician	Maintains equipment and network devices, provides software support for updates.	Technical diploma/degree	Specific technical courses, on-the-job training, and experience	
IT Software Programmer	Programs software applications for general or customized use.	Technical diploma/degree	Software programming courses and certifications	
IT Consultant	Provides advice to help firms align IT strategy with their business objectives	Bachelor's degree in IT/ Master's degree in engineering	Consulting/management experience	
Software R&D Engineer	Designs, develops, and programs innovative software packages and functions	Bachelor's/Master's/Doctoral degree in industrial engineering/computer science	Software programming courses and certifications	
BPO				
Call Center Operator	Answers in-bound calls regarding specific products and provides general customer services.	High school/ Bachelor's degree	Two-three-week of training and on-the-job training	
Finance and Accounting Analyst	Provides accounts receivable and accounts payable processing, reconciliations, ledger keeping, and income and cash statement monitoring.	High school/technical institute diploma in accounting	Technical training and on-the-job training	
Marketing and Sales Representative	Supports inbound and outbound sales, sales order processes, and customer monitoring.	Technical/Bachelor's degree	Short training and on-the-job training	
BPO Quality Assurance and Team Managers	Ensure BPO agents meet specified client service standards and monitor agent performance	Technical and university-level professionals	Technical training and on-the-job training	
KPO				
Finance Analyst	Provide guidance to businesses and individuals making investment decisions; assess the performance of stocks, bonds, commodities, and other types of investments.	Bachelor's degree in business administration	Chartered Financial Analyst (CFA) Certification	
Business Analyst	Provides business services, such as market research, business opportunity assessment, strategy development, and business optimization.	Bachelor's/Master's degree in business administration	Experience	
Legal Analyst	Reviews and manages contracts, leases/licenses. May provide litigation support or intellectual property services	Law degree	Experience and training in specific country legal systems	
Researcher	Undertakes projects to increase the stock of knowledge; develops new products based on research findings.	Master's/Doctoral degree	Experience/industry specialization	

Skill Level	Low	Low-Medium	Medium	Medium-High	High
	No formal education nor experience	Literacy and numeracy skills; experience	Technical education/certification	Technical education/undergraduate degree	University degree and higher

Source: (Fernandez Stark et al., 2011).

2.6 Standards and Certifications

The offshore services industry is intensive in qualified human capital. Each segment of the GVC has globally recognized professional certifications or global skills standards. As indicated in Table 2, these can include working knowledge of global software platforms (e.g. Microsoft, Cisco, and Oracle certifications) or development or financial analysis skills (e.g. CFA certification from the Global FCA Institutes) (Gereffi et al., 2011).

The BPO segment is focused on data security. Most companies stress information security and data privacy across all projects, setting a base on international standards such as ISO 27001 and acts such as Health Insurance Portability and Accountability¹¹ (HIPAA). Other examples of domestic compliance law are the Data Protection Act (DPA) (United Kingdom, UK) and Sarbanes Oxley Act (US) (Avasant, 2012).

Client-specific requirements are also implemented for particular functions and processes, such as PCI (Payment Card Industry). Developed by the Security Standards Council, the PCI sets the technical and operational requirements for organizations accepting or processing payment transactions (e.g. BPO providers) and for software developers and manufacturers of applications and devices used in those transactions. Notable approaches deployed by some of these organizations include implementation of policy for mobile devices (for recording, storage and transmission), portable media declaration and encryption, aiding forensic investigation, shifting of users from role-based access to command-based access (NASSCOM Community, 2016).

In addition, Service Level Agreements (SLA) within business contracts between lead firms and their clients are becoming increasingly codified and standardized, including a range of performance metrics such as Average Speed to Answer and Turn Around Time.¹²

¹¹ The Health Insurance Portability and Accountability (HIPAA) will apply the Privacy Rule to business associates contractors, where any vendor which receives or utilizes protected health information from, or for, the covered entity needs to ultimately ensure the integrity and security of health care information.

¹² Typical SLAs include services provided, standards of service, delivery timetable, responsibilities of supplier and customer, provisions for legal and regulatory compliance, mechanisms for monitoring and reporting of services, payment terms, how disputes will be resolved, confidentiality and non-disclosure provisions, and termination conditions. These contracts are negotiated on an individual basis between firms and specific terms of the contracts may vary substantially.

Table 2. Select Industry Quality Standards by Segment of the Offshore Services GVC

Certification	Impact	Description	Need*
ITO (namely, Software Development)			
ISO 9001:2015	Enterprise-Wide	This certification applies to specific requirements for quality management systems. This certification aims to enhance customer satisfaction through the effective application of the ISO system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements. Developing countries are leading the growth in certification	ISO 9001:2015
ISO/IEC 27001:2013	Enterprise-Wide	This international standard describes t is designed to ensure the selection of adequate and proportionate security controls that protect information assets and give confidence to interested parties. In 2012, only four countries had more than 10,000 ISO/IEC 27000I certifications: United Kingdom, Japan, India and China.	ISO/IEC 27001:2013
COPC	Enterprise-Wide	COPC certification is a rigorous process to assess, improve and verify a call center operation is performing at the highest levels. It validates the organization in using consistent processes and best practices specific to call centers, outsourced service providers, vendor management organizations, or indirect procurement.	M
Six Sigma	Enterprise-Wide	Six Sigma is a rigorous and a systematic methodology that utilizes information (management by facts) and statistical analysis to measure and improve a company's operational performance, practice and systems by identifying and preventing 'defects' in manufacturing and service related processes in order to anticipate and exceed expectations of all stakeholders to accomplish effectiveness.	D
BPO Certification Institute	Individual Certification	The BCI global network offers 18 internationally respected certifications for various levels of professionals working in the BPO and contact center industry in domains like customer and back-office services; technical support, and even data processing, accounting and knowledge-based services.	D
PPM. Project Management Professional	Individual Certification	Project Management Institute's Project Management Professional (PMP) credential is the most important industry-recognized certification for project managers. Globally recognized and demanded, the PMP demonstrates that an individual has the experience, education and competency to successfully lead and direct projects.	D
Trustwave's TrustKeeper	Industry Specific Certifications	Compliance Validation Service to meet the Payment Card Industry Data Security Standard (PCI DSS). TrustKeeper Compliance Validation Service has been accredited by all the major card associations' data security programs, including: VISA USA, VISA International, MasterCard Worldwide, American Express, Discover Network, JCB.	D

Source: (BCI, 2017; COPC, 2017; ITSq, 2017). **Notes:** (M) stands for mandatory and (D) for desirable.

3 Jamaica in the Offshore Services Global Value Chain

Jamaica entered the industry in the early 2000s and now stands out as one of the few countries in the Caribbean with an established and growing BPO industry. With the largest pool of English

speakers in the region as well as geographic proximity to the United States, the nation is positioned as a preferred location for nearshoring operations, particularly for customer support to North American clients. However, due to substantial rates of organized and unorganized crimes, Jamaica presents a relatively higher operating and business risk than other countries in the region (Everest Group, 2017b).

Since its entry into the offshore GVC, Jamaica has expanded its participation by dramatically increasing the presence of leading third-party service providers. In 2016, Jamaica's BPO services industry employed 25,144 workers, exporting US\$323 million worth of services (Jampro, 2017). There are, however, challenges—with an 80% increase in the number of workers since 2013 and significant growth projected in the near future, the sector is confronting human capital limitations as a result of both shortcomings in delivering the right skills and access challenges in the formal education system.

3.1 Jamaica's Current Participation in the Offshore Services Global Value Chain

In 2016, Jamaica's offshore services industry had around 25,144 employees and exported US\$323 million (JAMPRO, 2016). Since the country has not yet entered the ITO or the KPO segments, these figures are concentrated in BPO activities alone. All captive centers and third-party providers established in Jamaica operate in the low-end BPO segment of the value chain, providing customer support services (voice, chat, and e-mail), collection, and technical helpdesk support. However, as indicated in Figure 10, the Jamaican BPO industry can be categorized in two groups:

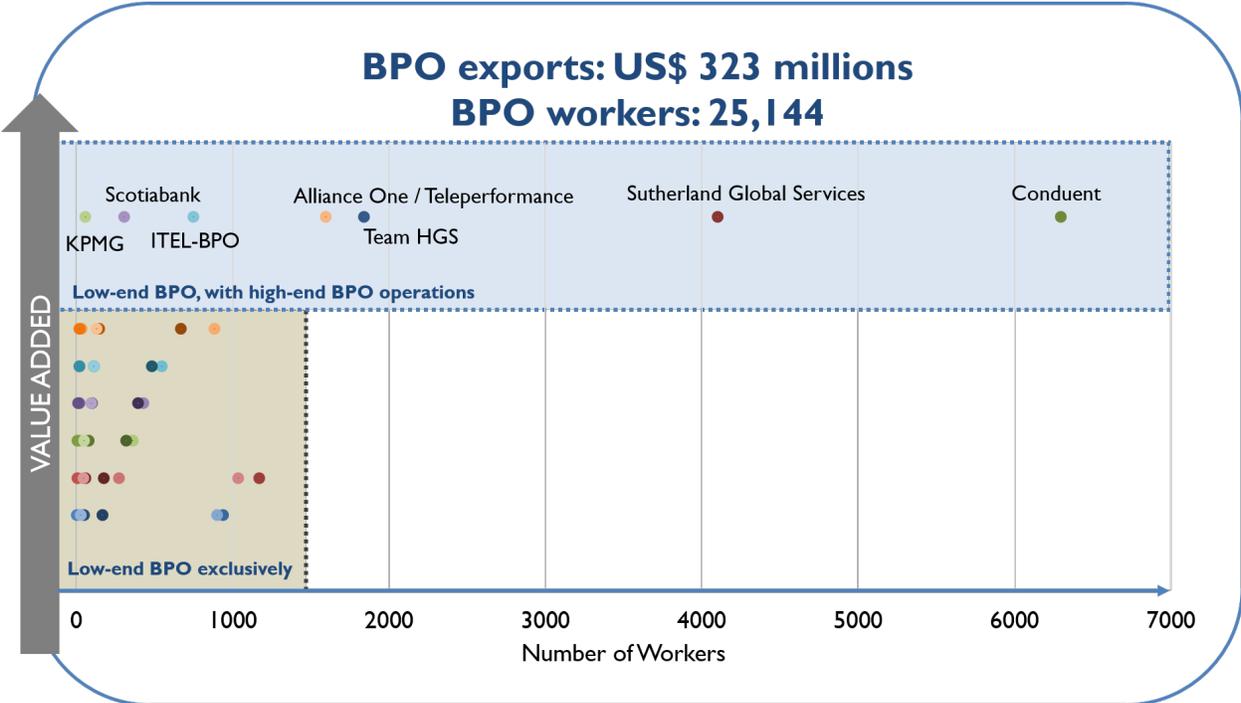
- Low-end BPO tasks exclusively (gray shaded area), They account for 66% of the industry in terms of number of BPO companies.
- Low-end tasks predominantly, but gradually incorporating high-end BPO services (blue shaded area). These include technical support, finance and accounting, human resources management, market research, and basic design. Even though this group accounts for only one third of the total number of firms, they occupy 67% of employment in 2016 (JAMPRO, 2017).

The fact that internationally renowned multinational corporations such as KPMG and third-party providers such as Conduent and Sutherland Global have incorporated higher value-added tasks is promising. Nonetheless, Jamaica is still very much in the earlier stages of development, with 80% of employees performing low-end BPO activities exclusively; only 12% of FTEs perform some kind of high-end BPO task (HEART Trust/NTA, 2017).¹³

Activities in the remaining segments of the value chain are meager. However, one foreign company performing software development can be clearly identified in the ITO segment, exporting to Canada (where the headquarters is located) and its clients in the United States. This is a promising value chain category for Jamaica due to the nearshore condition and cost competitiveness; however, it is constrained by an absent IT local development and engineers' migration due to the shortage of job opportunities (Field Research, 2017).

¹³ The remaining 8% are administrative, supervisory and managerial roles for both ends of the BPO segment.

Figure 10. BPO Industry in Jamaica: Firms by Number of Workers, 2016



Source: Duke University GVCC based on data provided by JAMPRO (2017). **Note:** different colored dots represent different companies.

3.2 Governance and Industry Organization¹⁴

Jamaica’s offshore services industry is composed of 48 companies employing approximately 25,000 people. There is a high consolidation in the industry, with the largest six companies employing 67% of the total workforce (Figure 11).¹⁵ Within this share, two companies account for 43% of the total industry employment (JAMPRO, 2017). Hence, power in the Jamaican offshore services value chain is concentrated among a small number of firms that perform customer support but have been gradually incorporating high-end BPO activities.

¹⁴ The Governance and Industry Organization section of the report is based on extensive interview with Jamaican stakeholders conducted in October, 2017. Individual citations are provided when additional material is used to supplement the field research.

¹⁵ The largest six companies are Conduent, Sutherland Global Services, Team HGS, Alliance One Inc./Teleperformance, Advanced Call Center Technologies and Vistaprint.

Figure 11. Share of FTE by Number of Offshore Services Companies, 2016



Source: (Field Research, 2017).

The vast majority of offshore services companies in Jamaica are foreign (73%), mostly from United States (83%) due to Jamaica’s nearshore advantage and English-speaking population. The rest of foreign firms are global providers from India (9%), Canada (6%) and the Philippines (3%). These countries’ investments are also driven by the country’s proximity to the US, language and labor costs (JAMPRO, 2017).

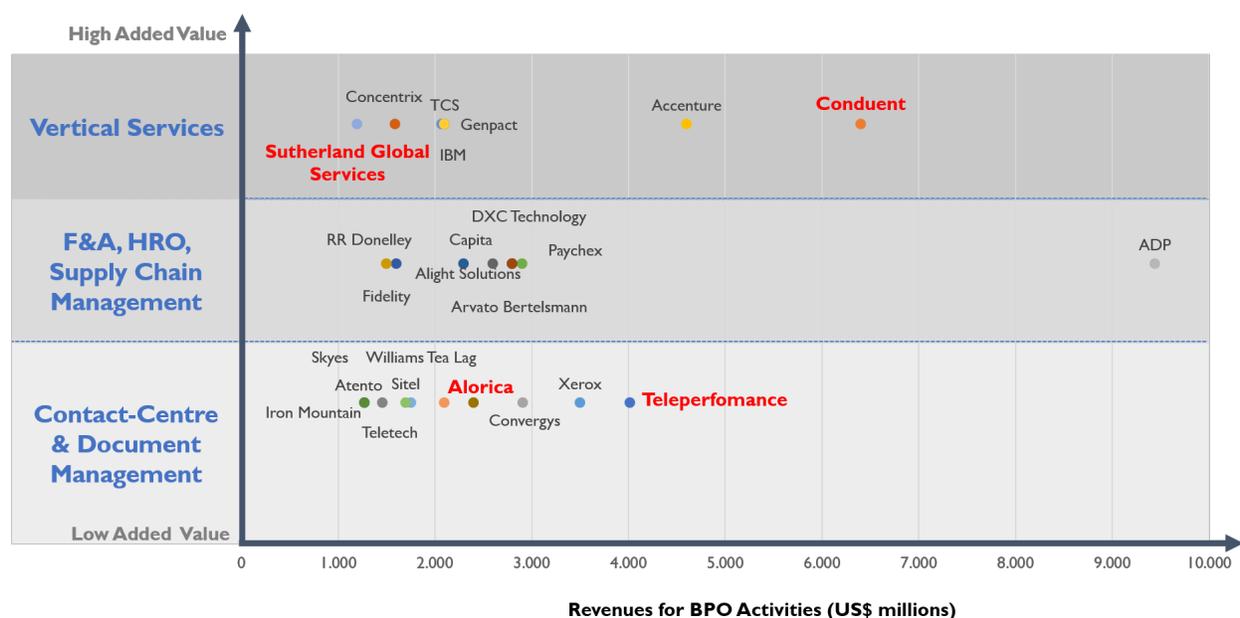
The main locations of the offshore services firms are Montego Bay (48%), and Kingston (40%), with Portmore, St. Ann, and St. Elizabeth accounting for the rest, with 2% share each (JAMPRO, 2017). The largest companies have operations in more than one location or two operations in one location.¹⁶ Due to the labor intensive nature of customer support, firms have strong interest in locating as close as possible to both workers’ residences and educational institutions (Field Research, 2017).

The industry is almost exclusively composed of third-party call centers specialized in customer support (voice, chat and e-mail). Higher value-added services, such as finance and accounting (F&A), Human Resources (HR), health industry-specific, or IT support, would be provided by less than one fifth of the companies and—in the great majority of cases—they represent a very small share of the operation’ revenues (JAMPRO, 2017). Third-party providers based in Jamaica include several leading global players from the US and India, including Sutherland Global, Alorica, Conduent, and Hinduja Global Solutions. The main industries served by these firms include retail, technology and media, medical, education and professional services, financial services, legal, travel and tourism, and healthcare (HEART Trust/NTA, 2017).

Even though it is most active in relatively low-skill BPO tasks, Jamaica benefits from the presence of leading players of the BPO offshore services GVC, including Teleperformance, Alorica, Conduent, Concentrix, and Sutherland Global Services. Globally, three of these companies participate not only in the low and high-end BPO segment of the value chain, but also in vertical industries, including financial services, life sciences, and insurance. Furthermore, Conduent’s and Teleperformance’s revenues are the second and third highest of the third-party providers, respectively (see Figure 12).

¹⁶ Sutherland Global, for example, has two locations in Kingston: New Kingston and UWI Mona Campus.

Figure 12. TOP 25 of Third-Party BPO Providers, Revenue and HQ Location (2017)



Source: Authors based on Everest Group BPS Top 50, retrieved from (Everest Group, 2017a). **Note:** Companies in red font already have a presence in Jamaica.

Even though there are only eight captive centers, it is important to highlight that US-based companies such as Vistaprint have been in the country for over 10 years. Additionally, these firms continue growing not only in terms of employment, but also gradually incorporating higher value-added services, such as design and IT development (Field Research, 2017).

The Jamaican BPO industry includes a private organization—Business Process Industry Association of Jamaica (BPIAJ)—that is composed of approximately 26 companies, accounting for 60% of the industry and 80% of employment. Established in September 2012, BPIAJ is recognized as a valid interlocutor for both public and private stakeholders. In recent years, the association has played an active role in the industry development, fostering the improvement of several competitiveness factors, including: i) the construction of ready built spaces; ii) the revision of the cybercrime legislation; iii) the design of a curricula for entry-level positions in the BPO industry; iv) the establishment of an incubator for SME's start-ups; and v) the expansion of public transportation routes in areas with a high presence of offshore services firms (Field Research, 2017). In addition, BPIAJ management is focusing on continuing constructing BPO built spaces to accommodate the upcoming exponential growth of third-party providers while also devising the industry economic upgrading within the BPO segment.¹⁷⁻¹⁸

In addition to BPIAJ, several government offices have a presence in the industry, providing strong support in terms of human capital development (Human Employment and Resource Training Trust/NTA or HEART Trust/NTA, Ministry of Education, Port Authority), office space construction (e.g. Port Authority, Ministry of Economic Growth and Job Creation), regulatory framework (e.g.

¹⁷ It is expected that in the next 2-3 years, employment in the BPO segment is doubled by already established companies.

¹⁸ All BPIAJ positions are honorary.

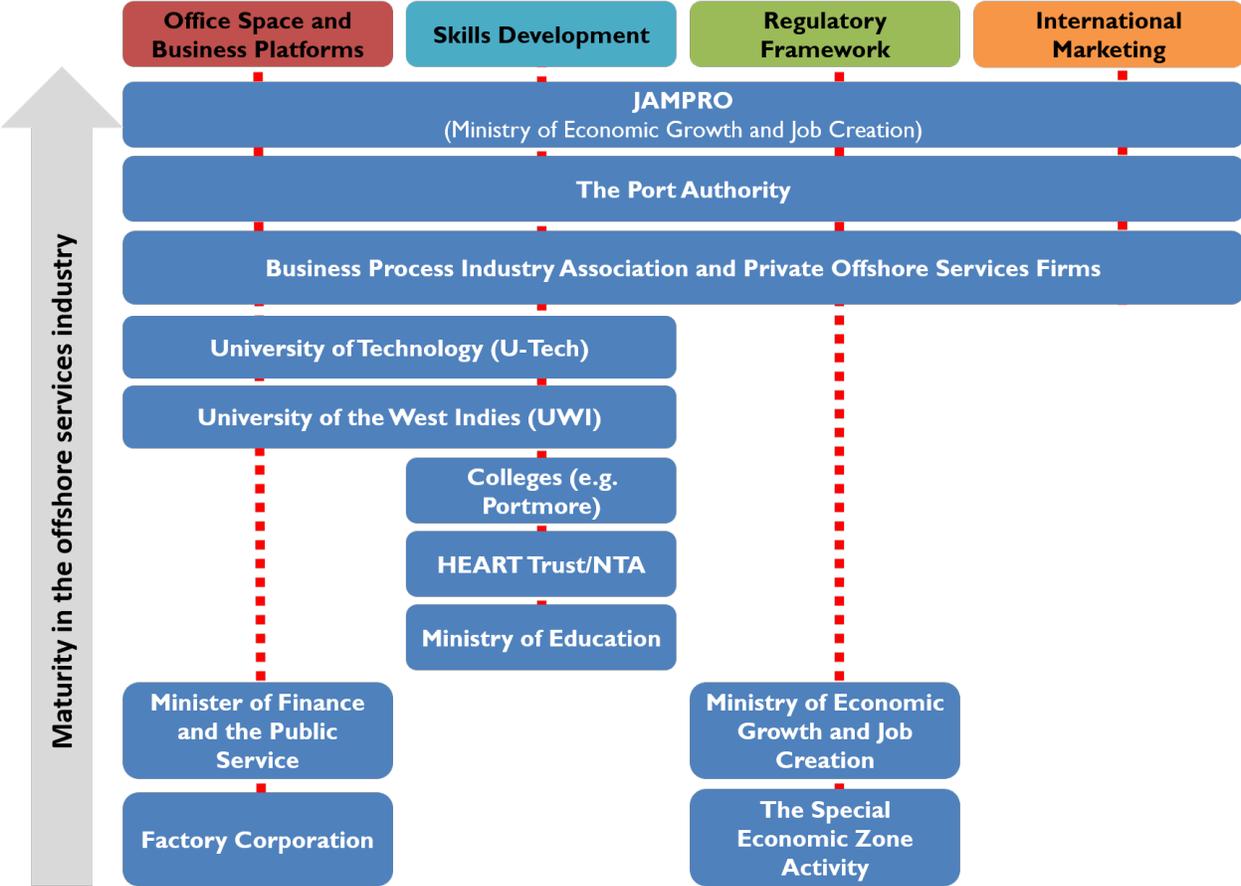
Special Economic Zone Authority) and international promotion (e.g. JAMPRO). Additionally, educational centers such as the University of the West Indies (UWI) and University of Technology (UTech) rent office spaces and support curricula adjustment to the industry needs, creating synergies with the private sector in terms of human capital development. Furthermore, the Portmore Community College recently developed an Associate's Degree in Business Process Management.

Figure 13 below provides an illustration of the most significant actors in the offshore services industry, organized by the level of maturity. This indicator is based on the time they have been actively and specifically working for the offshore services industry, with actors in the low-end of the figure being the most recently created by the government or most recently involved in the industry. As indicated by the dotted line, talent pool (size and skills) followed by office space, are the main factors that concern and connect the industry's stakeholders; these components are critical for the low-end BPO segment, which requires not only a scalable talent pool with the appropriate technical and soft skills, but also substantial office space.

JAMPRO, which falls under the Ministry of Economic Growth and Job Creation, has a pivotal role in the offshore services industry and its international positioning; in fact, this institution has overall responsibility for guiding the growth and development of the BPO industry. As such, it has developed the 2015-2020 National Strategy for the Development of Jamaica's Outsourcing Industry, drawing four priority areas for Government's intervention: policy and framework, labor pool enhancement, infrastructure development, and market penetration. In addition, within the Medium Term Socio-Economic Policy Framework 2015-2018, the Government of Jamaica outlined another priority strategy related to the ICT and offshore services industry: the expansion of ICT focused business parks for major service provider (HEART Trust/NTA, 2017).

The Port Authority of Jamaica (PAJ) is identified as the pioneer of the development of the offshore services in Jamaica (Field Research, 2017). This institution owns Montego Bay Free Zone (MBFZ) and Jamaica International Free Zone Development in Kingston. The former is the primary location for offshore BPO companies, housing 12 foreign companies, including global outsourcing companies, Xerox and Teleperformance. PAJ's most noteworthy achievements in the offshore service industry include the following: full occupancy of all rentable spaces; 20% growth in BPO FTE from 2013 to 2014; robust and resilient connectivity for Free Zone operators through Digicel's launch of its underground fiber-optic project; Memorandum of Understanding for the training of call-center agents with Heart Trust/NTA (HEART Trust/NTA, 2017; PAJ, 2014).

Figure 13. Key Stakeholders in the Offshore Services Industry in Jamaica



Source: Authors based on (Field Research, 2017)

With respect to academic stakeholders, the University of West Indies (UWI) Mona has held a strong relationship with JAMPRO since 2008, cooperating in the development and international marketing of the BPO industry. Since 2012, the UWI Mona Western Jamaica Campus (WJC) has partnered with investors by hosting over a dozen of job fairs; in 2013-2014, 20% of graduates from UWI employed in the first 6 months after graduation (i.e. 70% of campus' graduates) were hired by the BPO industry (Anderson & Longsworth, 2016). Heart Trust/NTA, the government technical educational institution, has been involved in enhancing the talent pool skills and size since 2013, having launched a 120 hours pilot program for entry-levels in customer support in mid-2017¹⁹ (Field Research, 2017). On the other hand, the Ministry of Education has a role in both primary and secondary levels of formal education. Further, within the National Export Strategy (NES) framework, since April 2016 the Ministry is responsible for developing scholarship programs for training in IT and KPO services, e.g. web analytics, machine learning applications, and software development.

The Ministry of Economic Growth and Job Creation also plays an important role, from infrastructure to regulatory framework. Through the Factories Corporation of Jamaica, the Ministry has the primary responsibility for the development and management of office spaces in the public

¹⁹ Next section provides more details about this partnership.

sector, leasing and managing office spaces to BPO investors. Work was underway by this agency and the Port Authority of Jamaica in 2017 to construct over 250,000 square feet of new purpose-built space and to retrofit an additional 50,000 square feet of existing buildings for the offshore services industry (HEART Trust/NTA, 2017). Finally, the Special Economic Zone Authority (JSEZA) is the Agency of the Government of Jamaica responsible for facilitating the development of and promoting investments in Special Economic Zones (SEZs) in Jamaica. The JSEZA was established in 2016 under the Special Economic Zones Act and amongst its wide range of targeted industries, the offshore services industry is considered an important economic growth driver.

Most stakeholders from Figure 13 are organized in a ‘National BPO Task Force’ (henceforth, task force), created in early 2017 and Chaired by the Ministry of Economic Growth and Job Creation. The task force goal is to coordinate the efforts required to address this segment challenges and develop strategies to attract higher value-added operations. As a part of the Five-National Strategy for the Development of Jamaica’s Outsourcing Industry (henceforth, national strategy), the current emphasis of this body focuses on improving Jamaica’s talent pool, infrastructure development, strengthening the regulatory framework for the BPO industry, and increasing international market penetration (Table 3). The task force is comprised of representatives from five Ministries and JAMPRO, and led by a National BPO Coordinator, which focuses mainly on coordinating the implementation of the national strategy. Each Task Force member is considered the lead implementing agency in their specific area of responsibility and may either implement activities directly or in partnership with other agencies and/or stakeholders; otherwise, agencies can act as facilitators or drivers. Initiatives are designed in consultation with key stakeholders and report into the National BPO Task Force.

As seen in Figure 13, most organizations have a role in skills development. Even though this suggests Jamaica would be on the right track to achieve economic upgrading in the offshore services GVC, efforts are duplicated by an important number of organizations, and coordination not yet sufficient. To illustrate, different companies have individual agreements with universities and colleges to create courses aimed at developing the talent pool skills.

Table 3. 2015 Five-Year Outsourcing Strategy

Component	Specific Strategies
Labor pool	<ul style="list-style-type: none"> • Implement management level trainings, entry-level trainings and apprenticeships • Training Incentives • Development of a National Training Strategy • Execution of Internationally Accreditation Training
Infrastructure development	<ul style="list-style-type: none"> • Naggo Head Technology Park • Ensuring competitive electricity rates
Policy and Incentives Framework	<ul style="list-style-type: none"> • Finalization of Special Economic Zones Legislation • Transition Plan for Existing BPOs • Eligibility under the Income Tax Relief • Development of Data Protection Laws • Establishment of Access to Working Capital
Market Penetration	<ul style="list-style-type: none"> • Contracting with an In-Market Broker for Outsourcing • Launch a targeted marketing campaign • Support for Jamaica Investment Forum 2015 • Support for more impactful event participation by JAMPRO

Source: Authors based on (JAMPRO, 2015)

Most components of the National Outsourcing Strategy depicted in Table 3 are in the initial phase of implementation. By November 2017, BPIAJ and HEART Trust/NTA initiated a national-scope course that aims at improving the employability of unemployed post-secondary graduates.²⁰ The Special Economic Zones Legislation came into effect in August 2016, repealing the Jamaica Export Free Zones Act (Field Research, 2017). While remarkable efforts are being implemented in such short period of time—including a Transition Plan for existing BPOs—new users are now subject to a 12.5% Corporate Income Tax (CIT), removing the tax-free status (see Table 4 for a comparison of both regimes).

Guided by the structures of the Jamaica’s IMF Agreement signed in 2016 and obligations with the WTO, the SEZ regime incorporates development policy priorities such as FDI attraction and upgrading in the value chain, as well as national-wise industry diversification and competitiveness objectives (Field Research, 2017). However, the introduction of a 12.5% rate on corporate income tax created a salient challenge for Jamaica’s competitiveness in the offshore services industry, considering that third-party providers and shared service centers frequently evaluate the success of an operation according to the margins obtained in each location. In addition, regional competitors such as Costa Rica and Uruguay still provide total tax exemption for new investment in their special economic zones.

Table 4. Similarities and Differences Between the SEZ and Export Free Zone Regimes

	Special Economic Zone (SEZ) Regime New Regime	Jamaica Export Free Zone Regime Old Regime
Similarities	Exemption from border taxes	
	Exemption from Customs Administrative Fees	
	Customs charges on sale into the domestic economy	
Differences	General Consumption Tax (GCT) is not charged on locally purchased goods and services entering the zone, including electricity and telephone services	General Consumption Tax (GCT) was charged on the purchase of telecommunication services
	Promotes two-way trade between zones and the rest of the local economy (i.e. to satisfy the WTO Agreement on Subsidies and Countervailing Measures) and removes the previous export subsidy of the 15% cap on domestic sales	Export requirement of 85% and restricted interaction with the rest of the country in terms of the amount of manufactured goods that must be exported
	Countrywide zone development with industry clustering	Generally located in industrial areas or near ports or airports
	Greater emphasis on private sector zone development and management	Primarily developed and operated by the government
	12.5% Corporate Income Tax (possible effective rate of 7.5% with the approval of additional tax credits)	No Corporate Income Tax
	Managed by the SEZ Authority which has regulatory, facilitator and promotional functions. SEZ provides value added services.	Managed by the Free Zone Council. Free Zone Council had regulatory functions.
	Application with fees	Application with no fees

Source: (SEZA, 2017)

²⁰ See Section 3.3. for details.

With respect to market penetration, an agreement with the contracting management-consulting firm Avasant was secured in early 2017. The organization will provide investment projects from all over the world, but the focus will be on the Americas—to date, the contract allowed JAMPRO to be present in the Shared Services & Outsourcing Network (SSON) forum in Orlando, Florida (Jamaica Observer, 2017).

3.3 Human Capital

Even though worldwide the offshore services industry employs predominantly tertiary level students and graduates, inasmuch as Jamaica's BPO industry is mostly based on low-end BPO activities and third-party providers, around 70% of employees at most delivery centers have completed 9 to 11 years of education (secondary level) and did not necessarily enrolled in tertiary studies (Field Research, 2017). Demographics within captive centers are somewhat the opposite, with more than 60% of employees enrolled in the tertiary level and the rest having completed at least secondary high, i.e. 12th and 13th of the secondary level.

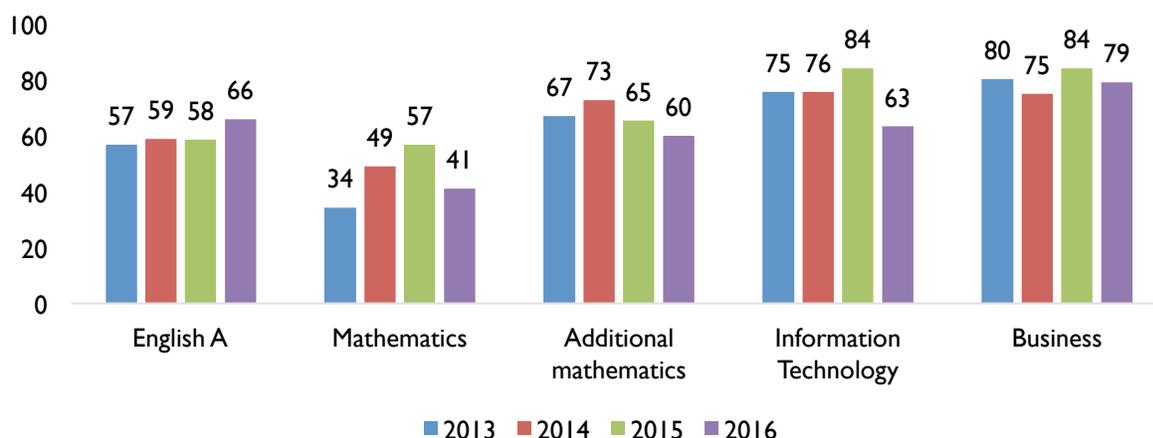
Despite the exact composition of the industry in terms of gender is unknown, similar to locations leading the lower segments of the chain, Jamaica's BPO industry is majorly composed of women and young workers—from 20 to 26 years at the agent level and slightly above that threshold at the supervision level; at the management level, age demographics range widely (Field Research, 2017). Accordingly, the talent pool for the offshore services industry is majorly composed of women : in the higher education system, enrolment is dominated by female students: in 2014, 51% and 70% of students enrolled in the secondary and tertiary level, respectively, were women (MOEY, 2015) .

Jamaica's most significant challenges in terms of human capital development for upgrading in the offshore services GVC include low enrollment rates in higher levels of the secondary school, substandard teacher quality, poor interaction with technological devices across all levels, inequitable access to tertiary education, and coordination failures within tertiary level education institutions (Field Research, 2017; World Bank, 2016).

Even though Jamaica had made substantial progress in the education sector in the last four decades, recent performance in the Caribbean Secondary Education Certificate (CSEC) is worrisome.²¹ From 2013 to 2016, there was decline in the pass rate of 11th graders in subjects that have relevance to the offshore services sector. Specifically, the pass rate for 'Additional Mathematics', 'Information Technology', and 'Business' decreased by 7, 12 and 1 percentage points, respectively (Figure 14). Additionally, Jamaica underperformed Trinidad and Tobago' results in 'English A' and 'Mathematics', where the pass rate stood at 72% and 54% in 2016, respectively (Guardian TT, 2017).

²¹ The CSEC is administered by the Caribbean Examinations Council (CXC). They assess and certify a student's academic achievement at the proficiencies that provide students with the foundation for further studies and entry to the workplace, including 'Additional Mathematics', 'Biology', 'Economics', 'English', 'Geography', 'Social Studies', 'Technical Drawing', among over 30 other subjects.

Figure 14. Pass Rate of Jamaican Candidates in the CSEC Examinations (%), 2013-2016



Source: Authors based on (MOEY, 2014, 2016)

Further, the number of graduates from the post-secondary level in studies related to the offshore services industry has fallen in recent years. From 2011 to 2014, ICT graduates decreased from 7,986 to 2,880—a 64% decline. Students promoted from a range of services-related fields also showed a fall, going from 13,690 to 10,922 (-20%) (see Table 5).²² According to an impact study developed by HEART Trust/NTA, the employment rate of ICT graduates was 73% in 2013. This figure is above the general average of approximately 66%. Customer service and business administration employment rate was 50% and 56%, respectively, both below the overall average.

Due to the high demand for workers with these skills, the relatively low employment rate suggests that the quality of trainings provided by Heart Trust/NTA is either weak or not aligned with the private sector requirements. Private sector stakeholders generally approve this hypothesis; also, they emphasize that graduates the TVET lack the basic skills required for high-end BPO tasks, such as finance and accounting, supply chain and human resources management (Field Research, 2017).

Table 5. Number of Graduates from Heart Trust/NTA (2011-2014)

Segment	Subsegment	2011	2014	Change 2014 - 2011 (%)
ITO	Software development, IT Services and Infrastructure	7,986	2,880	-64%
BPO (and others not related to Offshore Services)	Finance and Accounting, and Supply Chain Management	13,690	10,922	-20%

Source: Authors based on (Tholons, 2016)

A similar trend in ICT tertiary enrollees can be observed in recent years, with graduates qualified for the ITO segment experiencing a 64% decline between 2011 and 2015 (Table 5). The lack of interest and opportunities in acquiring education in this field is due to scanty employment opportunities in the country, with a significant portion of graduates migrating to the US after

²² It includes fields of study directly related to the BPO industry, such as accounting or administration, as well as areas from other industries, such as air conditioning & refrigeration, motor vehicle body repairs, barbering, among others.

completion of their studies (Field Research, 2017). On the other hand, graduates related to high-end BPO and KPO segments of the offshore services GVC experienced interesting increases. Professionals in the finance and accounting field increased from 4,824 to 6,409, while the number of legal process outsourcing graduates grew from 263 to 591 (Table 6).

Table 6. Number of Graduates from Tertiary Level (2013-2015)

Segment	Subsegment	2013	2014	2015	Change
ITO	Software development, IT Services and Infrastructure	1,318	1,092	410	-69%
High-end BPO	Finance and Accounting	4,824	5,637	6,409	33%
KPO	LPO	263	187	591	125%

Source: Authors based on (PAJ, 2017)

Efforts to address the decline in ITO graduates are currently being discussed among university stakeholders. However, several constraints are identified to close this gap, including: i) universities are often disconnected from the private sector and in turn, academic stakeholders lack the required knowledge on companies' standards and skills requirements; ii) engineering students often start working during their second or third year of education, both extending their time in campus or losing interest in the academic field; iii) most graduates migrate to the US or Canada—before and after—finishing their studies due to lack of job opportunities; iv) there is certain level of disagreement on the convenience of competence-based trainings among professors and directors of Jamaica's leading Universities (Field Research, 2017).

These challenges limit both the quantity of engineers that graduate from university and the qualifications they possess—according to firms, skills and computing language taught are severely outdated (Field Research, 2017). Conversely, growth in the number of graduates in subjects related to finance and accounting and LPO is partially due by the private sector involvement in training and recruiting, in collaboration with universities and tertiary colleges (Box 1).

Regardless of the abovementioned decline in higher-end fields of study, stakeholders in the BPO segment reported that in the past decade, the general quality of workers with high secondary and tertiary levels completed has improved, allowing companies to incorporate more complex and creative tasks, albeit at the low-end BPO segment (Field Research, 2017). Hence, even if available skills are still not sufficient for a rapid functional upgrading within the whole industry, improvements in quality of education have allowed both product and process upgrading at the firm-level (Field Research, 2017).

As the cost of university education in Jamaica rises, young people are leaving secondary school to work, thus creating a skills gap that many businesses are having to fill with 'in-house' training and certification. Today, the typical entry-level profile of the Jamaica's BPO industry is currently 100% trained by companies. Frequent trainings include: 'neutral' English, keyboard typing, basic Office and Outlook skills, multi-tasking, service orientation, work ethic (security and punctuality), and US culture. In addition, firms develop trainings to meet specific requirements of the clients they support. Most companies invest in in-house training programs from between 2-12 weeks at the entry-level. Despite firm-level efforts, some gaps are difficult to fill with such short training, including fluency in standard English and interpersonal/communication skills (Field Research, 2017).

Box 1. Sutherland Global Services Partnership with JAMPRO, UWI and UTech

In 2012, Sutherland Global Services established a Global Delivery Center at the University of the West Indies (UWI). In 2016, this center employed over 500 students. The initiative came through a partnership between both institutions and JAMPRO, with the company renting the facility from the University and JAMPRO providing facilitation services. In addition to their establishment in Mona campus, the company implemented the ‘Earn while you learn’ Program. The goal of this program is to reduce UWI drop-out rate; in addition, under this initiative—and provided that the individual decides to join the company after graduation—there is scope for promotion from agent to account manager.

The partnership between the company and UWI implies that the former hires students as customer service representatives and the latter provides mandatory customer care training as a part of its curriculum for potential candidates. Hence, students work in the company while pursuing their tertiary degree. Technical and specific-product training is provided by Sutherland itself. Currently, the firm and UWI Authorities are discussing opening three bachelor degrees for higher-end operations, including ‘Healthcare Informatics’, ‘Supply chain management and logistics’, and ‘E-commerce’.

In addition, in 2015 Sutherland signed a similar agreement with the University of Technology of Jamaica (UTech) to finance the construction of a “Earn While You Learn” center on the university campus, where 420 students are currently employed.

These agreements have also helped the universities general budget thanks to the revenue stream that enables offsetting the operational costs, allowing the tertiary level of Jamaica to improve its infrastructure and general quality of education.

Source: (Collinder, 2016; Field Research, 2017; Nearshore Americas, 2012; The Gleaner, 2016)

To facilitate the BPO segment growth, throughout 2016 HEART Trust/NTA, BPIAJ and several companies met in weekly bases to develop an entry-level customer support training course that would align to the industry requirements (Field Research, 2017). As a result, in July 2017, a 120 hours pilot program was launched for 200 candidates (‘Level 2 Customized Customer Engagement Operations’, or CCEO). The Agency projects to certify 12,000 - 13,000 individuals in BPO related programs every year for the next three years (HEART Trust/NTA, 2017). However, during the first months of implementation, the initiative has encountered several challenges to achieve their goals:

- The eligibility criteria to be selected to participate in the CCEO is identical to the recruitment criteria recently established by BPO third-party providers. This reduces the motivation to obtain training through HEART Trust/NTA, given that individuals prefer to apply for a paid job that includes training.
- Although the content of the CCEO Program appears to be aligned to the requirements of the industry, its duration would be lower than the desired to fill the skills gap of entry-level BPO applicants. The hours of the program were reduced from 300 to 120 from March to July, reducing the proficiency that students can obtain. It is worth mentioning that this cutback was suggested by the companies itself.
- Also, while most tasks in the low-end BPO segment require on-the-job training, the CCEO Program does not include internships—they only include simulations.

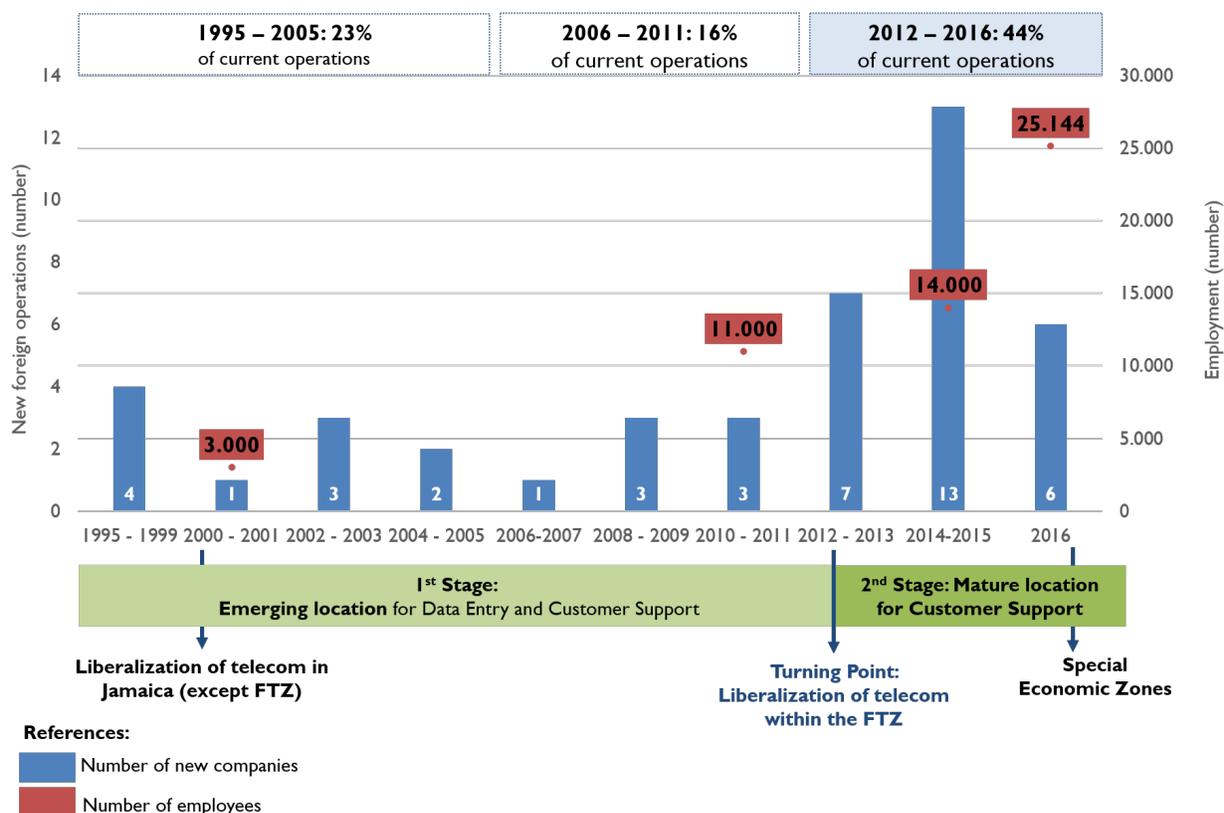
Finally, even though firms developed a standard test for the recruitment process of applicants, interviews were conducted by a career development officer of HEART Trust/NTA with no firms participating in the interviews. In addition, the recruitment process differed amongst implementing institutions, with trainers and middle-management officers having several concerns about the BPO industry, hampering coordination efforts.

In addition to these constraints, most interviewed stakeholders indicate that institutional capacity and instructional proficiency to train in skills required by the BPO industry is weak. In the light of this, some companies have partnered with tertiary colleges (e.g. Portmore Community College) to incorporate BPO programs into their curricula, as well as an associate degree in business studies and in engineering studies (Field Research, 2017).

3.4 Upgrading and Industry Evolution in Jamaica's Offshore Services Global Value Chain²³

Jamaica's BPO industry has expanded significantly since its inception. The industry had around 3,000 employees in 2001; by 2016, employment reached to 25,141 with exports of US\$323 million (JAMPRO, 2016; Tholons, 2016). In the three years between 2013 and 2016, the industry nearly doubled employment, growing by 80% (JAMPRO, 2017; Tholons, 2016). However, the expansion has been driven almost exclusively by customer support operations; hence, in comparison with other locations in the region, Jamaica is still in the initial phase of the offshore services GVC. Jamaica's evolution in the offshore services GVC is illustrated in Figure 15.

Figure 15. Evolution of the Offshore Services Industry in Jamaica



Source: Authors based on (Field Research, 2017; JAMPRO, 2017)

²³ The Upgrading and Industry Evolution section of the report is based on extensive interview with Jamaican stakeholders conducted in October, 2017. Individual citations are provided when additional material is used to supplement the field research.

First Stage, 1995-2011: Jamaica successfully attracted data processing operations in the 1980s; BPO operations started in the late 1990s. The industry began to firmly develop in the mid-1990s after a critical international marketing effort from Montego Bay Free Zone (MBFZ) owned by PAJ. Built on the legacy of the tourism sector, combined with English-speaking population and the labor-arbitrage advantage, MBFZ engaged in selecting and attracting third-party global providers of customer support services, as well as MNC clients of these companies. Accordingly, the PAJ was the pioneer in the development of the offshore services industry, not only directly interacting with potential and definite investors, but also granting the approval to benefit from the free trade zone framework. Initially, this regime was developed to satisfy the needs of a promising textile manufacturing and related industries; however, Jamaica quickly became uncompetitive for garment exports, dismantling the original rationale of free zones. By 2000, the strategy of free zones was adjusted, forging alliances with ICT companies to encompass the needs of a growing data entry operations industry. In the following 10 years, 13 foreign firms established nearshore delivery centers in Jamaica to provide data entry operations and customer support, namely to the US. With 56% of total foreign offshore services firms established, this stage enables Jamaica to arise as an emerging low-end BPO location for US companies.

Second Stage, 2012-2016: The second stage of Jamaica's offshore services development starts in 2012, after experiencing a major turning point—the liberalization of the telecom industry within the export free zones. From 2013 to 2016, the industry nearly doubled employment. Furthermore, 26 new foreign companies established presences in the country, accounting for 44% of current offshore services operations. Nonetheless, from the largest six companies in the industry (more than 1,000 workers), only one was established during this stage—the rest has been in Jamaica for several years now.

Functional upgrading during this stage is present but weak. At the end of 2017, most third-party providers' revenues came from the same type of task that was brought to the country in the first place: customer support. Nonetheless, some captive centers indicate that in the last five years, they have been incorporating higher value-added activities, such as finance and accounting, human resource management, and designing and technical support. Hence, captives have been employing a higher share of tertiary graduates since its inception, including accountants, psychologists, designers, and developers. Accordingly, during this stage, two companies began to develop relatively small shared services units (less than 30 FTE), centralizing high-end BPO activities, including audit support, payroll processing, human resources, project management, market research, and finance and accounting, among others. Albeit still small, one of these operations almost doubled employment in the last five years and is expected to continue growing in the immediate future.

In the next years, the industry is planning to incorporate more seats in the low-end BPO segment, but also in higher value-added segments. It is projected that in the next 3 to 4 years employment in the BPO segment doubles, reaching a minimum of 50,000 employees to a maximum 80,000 (Ferrari & Couto, 2017; HEART Trust/NTA, 2017).²⁴ In the most conservative scenario, low-end BPO activities are expected to account for 80% of the growth, while high-end BPO activities would represent 20%. Hence, the short and medium-term growth would be highly concentrated—as it has been so far—on contact support operations. Nonetheless, as an emerging location, it is likely that

²⁴ Estimations of projected growth differ significantly among public stakeholders; for instance, in early 2017 the Port Authority of Jamaica expected that by 2020 employment would reach 200,000, while JAMPRO projected one quarter of that figure, i.e. 50,000 (HEART Trust/NTA, 2017; PAJ, 2017).

this expansion will enable some operations to incorporate higher value-added operations with the personnel that is currently performing low-end BPO work.

3.5 Advantages and Constraints

Jamaica’s offshore services industry is characterized by a successful track record in the customer support segment with future growth expected to double employment in the next two years (Field Research, 2017). Driven by a large English-speaking talent pool, cost competitiveness, and geographic proximity to the US, there are opportunities for further economic upgrading, especially if strategies aimed at improving human capital are successful. Table 7 summarizes both the strengths and weaknesses of the Jamaican industry. The most prominent advantages and constraints are then outlined in the section that follows. The potential upgrading section expounds on the possible opportunities.

Table 7. SWOT of Jamaica’s Offshore Services Industry

Strengths	Weaknesses
<ul style="list-style-type: none"> • Nearshore location. • Largest English-speaking population in Latin America and the Caribbean, with strong cultural affinities to US and UK client markets. • Competitive labor and rental costs. • Robust telecommunications infrastructure. • Prioritized sector by the government, with a (recent) task force that coordinates industry development. • Recent growth in tertiary level graduates for high-end BPO segments. • Ongoing projects to provide office spaces for IT-BPO operations. 	<ul style="list-style-type: none"> • Inadequate quality of education, inequitable access to tertiary studies, and brain drain. • Training initiative to support the expansion of BPO encounters design and implementation challenges. • Negative perception of the BPO industry • High operational costs. • Alteration of free zones incentives, incorporating new fees and regulations. • High rate of crime and deficient enforcement of cybercrime laws. • Shortcomings in the implementation of the national strategy. • Weak international positioning as an offshore services location.
Opportunities	Threats
<ul style="list-style-type: none"> • Higher growth in nearshore locations compared to offshore locations. • Several US-based MNCs have presented investment propositions; most are waiting for office space and/or talent pool expansion. • Significant demand of established BPO operations BPO, expecting to double employment by 2020. • 13th graders are showing great performance in the high-end BPO segment. 	<ul style="list-style-type: none"> • Automation and robotization endangering transactional tasks from the low value-added area of the BPO segment, e.g. data entry and customer support. • Regional locations in the Caribbean share similar capabilities/propositions with Jamaica (i.e. English, nearshore proposition, etc.). • The emergence of similarly-sized and equally capable destinations across the region and the world.

Source: Authors

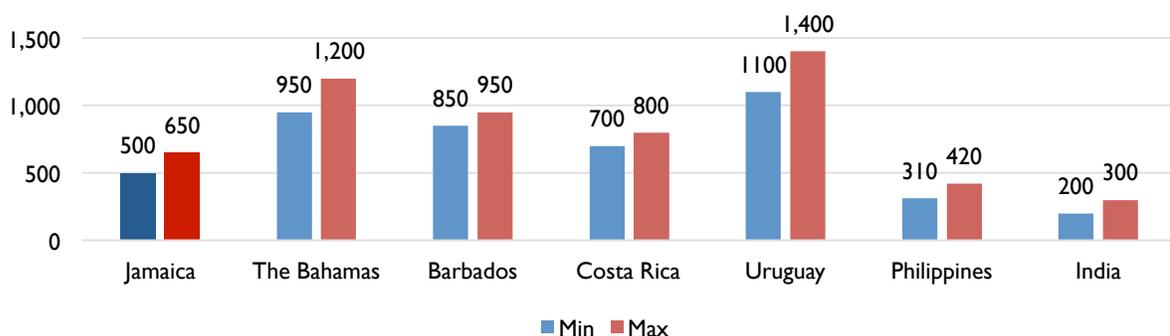
3.5.1 Advantages

Jamaica’s advantages in the offshore industry revolve around its nearshore location and English-speaking population as well as its competitive labor and rental costs. These strengths, along with a strong telecommunications infrastructure, align to low-end BPO location drivers, although they do not necessarily correspond to high-end BPO or KPO location drivers. Government support and

increasing rate of graduates in fields related to professional services suggest a positive outlook for Jamaica’s economic upgrading, since these are not fixated on low-end BPO activities. The following sub-section expounds upon the strengths indicated in Table 7.

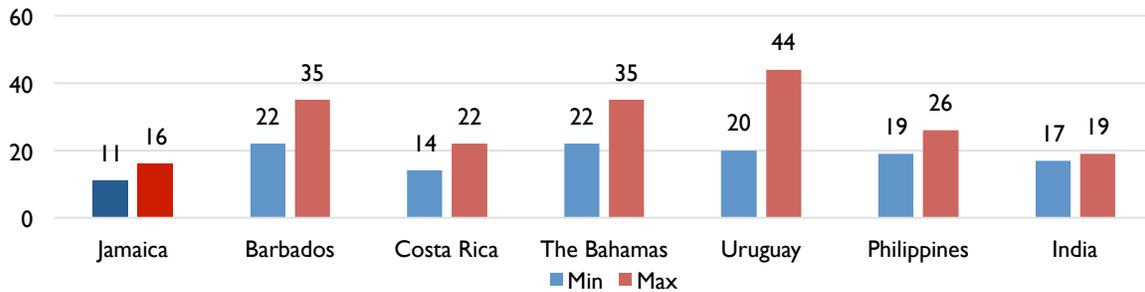
1. **Nearshore location.** Jamaica’s geographic position, distance to the US and cultural affinity with this market makes the country an ideal nearshore location. While many other competitors in the region—especially in South-America—have adopted the ‘nearshore advantage’ as a significant component of its value proposition, Jamaica’s distance is closer to the US, even in comparison with other Caribbean and Central America locations.
2. **Largest English-speaking population in Latin America and the Caribbean, with strong cultural affinities to US and UK client markets.** Jamaica’s population is 2.7 million, the largest among English-speaking Caribbean countries, with a labor force that doubles Trinidad and Tobago’s, one of its closest competitors. As a result, the island can position itself as the regional nearshore provider with the largest scale potential. Cultural closeness with the US and UK is also an important advantage for Jamaica’s talent pool.
3. **Competitive labor and rental costs.** Jamaica’s entry-level non-voice BPO salary is around US\$500-US\$650 a month (Figure 16). Maximum wages in the customer service area are approximately 46%, 23% and 85% lower than in Barbados, Costa Rica, and Guatemala, respectively; hence, Jamaica has an edge over several probable competitors in Latin America and the Caribbean, at least in terms of salary rates. While salaries in India and the Philippines are higher, Jamaica is still cost competitive (Figure 16). In addition to low labor costs, Jamaica offers one of the lowest costs of rent of ‘Class A’ office spaces, compensating for high electricity rates in the island (Figure 17).

Figure 16. Comparison of Salaries in Select LAC Countries for entry-level non-voice BPO (US\$/month), 2016



Source: Authors based on (Tholons, 2016; Uruguay XXI, 2017b).

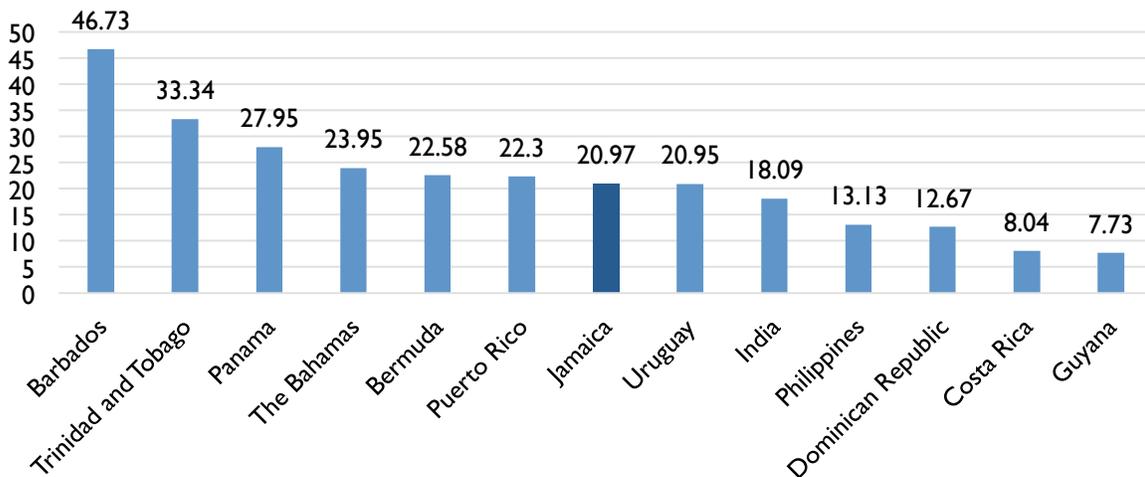
Figure 17. Comparison of Class A Office Space Rent in Select LAC Countries (US\$ per square feet/yr.), 2016



Source: Authors based on (Tholons, 2016; Uruguay XXI, 2016)

4. Robust telecommunications infrastructure. Jamaica’s fixed broadband speed is 20.97 Megabits per second (Mbps) as per October 2017 (Speedtest Global Index, 2017). This is above the speed of two of the most successful locations for high-end BPO operations in the region, Uruguay and Costa Rica. Internet speed in Jamaica is also higher than in the most mature offshore services destinations, including India and Philippines (Figure 18). According to private stakeholders, the telecom infrastructure is one of the most significant advances in the last 10 years. Furthermore, improvements in internet speed and network readiness has enabled companies to expand their operations and provide solutions to more exigent clients.

Figure 18. Comparison of Fixed Broadband in CARICOM and Select LAC Countries (in Mbps), 2017



Source: Authors based on (Speedtest Global Index, 2017)

5. Prioritized industry by the government. The offshore services industry is a prioritized sector under the National Export Strategy of Jamaica. The NES aims to grow the Information Technology Enabled Services (ITES) sector by 15% annually, adding 18,000 new jobs by the end of 2019 with an overall focus on higher value-added segments such as KPO (Bandeled, 2016). This effort combines with other initiatives such as the creation of a

National Strategy for the Development of Jamaica's Outsourcing Industry, the launch of a National BPO Task Force, and the design and development of technological parks and reflects the government's commitment to expand the industry. Companies praise JAMPRO's support and efficiency in terms of FDI attraction, facilitating the business environment, and easing bureaucratic challenges.

- 6. Recent growth in tertiary level graduates critical for the high-end BPO segment.** From 2013 to 2015, graduates related to high-end BPO and some KPO segments (Legal Process Outsourcing) experienced an increase. First, professionals in the finance and accounting field increased from 4,824 to 6,409—a jump of 33%. Second, attorneys and law professionals grew from 263 to 591 in three years, doubling the amount of available talent pool for LPO tasks (PAJ, 2017).
- 7. Ongoing projects to provide office spaces for IT-BPO locators.** One of the components of the 'National Strategy for the Development of Jamaica's Outsourcing Industry' is infrastructure development. Within this component, the Port Authority of Jamaica and the Factories Corporations are currently constructing more than 250,000 square feet of new purpose-built space and retrofitting an additional 50,000 square feet of existing buildings for the offshore services industry. In addition, approximately 800,000 square feet of space is under construction by the private sector. This brings the total additional square feet of spaces to over 1 million as represented by both public and private entities (HEART Trust/NTA, 2017). Also, the government has vacated public offices in recent years to provide office spaces for foreign BPO firms that were intending to expand operations to the country. Actions such as these reflect its flexibility and commitment to provide the necessary support to the offshore services industry. BPO incubators were also developed by the government in 2014 through a US\$500,000 fund granted by the Inter-American Development Bank. Currently, there are two incubators in the country, with 300 and 200 seats respectively (Tholons, 2016).

3.5.2 Challenges

Although Jamaica has many strengths that has enabled the significant growth of the BPO industry, there are multiple challenges, some of which have become particularly pronounced in the last two years. Similar to almost every other developing country, human capital is Jamaica's largest constraint. The largest challenge of the island is the skills gap in the pool of available labor. These and other most immediate challenges are expounded upon in the sub-section that follows.

I. Inadequate quality of education, inequitable access to tertiary studies, and brain drain.

The education system fails to provide students with the basic skills required by the offshore services industry, even within the lowest value-added operations (Field Research, 2017). This is due to substandard teacher quality and poor interaction with technological devices across all levels, among other items such as coordination failures within tertiary level institutions (Field Research, 2017; World Bank, 2015). The most prominent shortcomings include technical skills (basic computer literacy,²⁵ communication, written and oral English), soft skills (work ethic, leadership, service orientation and multi-tasking),

²⁵ Including keyboarding and e-mailing through standard software platforms such as Microsoft Outlook.

and relevant domain proficiencies (accounting, data encoding, graphic design, web analytics, audit) to ensure quality delivery of BPO and KPO services (Field Research, 2017). Even when a candidate has completed the secondary and tertiary levels, firms in the low-end of the BPO segment find that many lack basic skills required by the industry (Field Research, 2017). As a result, the sector is suffering from low levels of viable candidates—estimates are that only between 1% and 3% of individuals interviewed are hired (Ferrari & Couto, 2017; PAJ, 2017).

Despite major reforms being implemented by the government,²⁶ there remains an urgent need to raise the standards of education in fields of study significant to economic upgrading. Jamaica ranks below Trinidad and Tobago and Costa Rica in selected education quality indicators, including maths and sciences (WEF, 2017). Internet access in schools, which would allow students to gain computer skills and get familiarized with technology from a young age, is low in comparison to Costa Rica, Uruguay and the Philippines (WEF, 2017).

In addition to shortcomings in adequacy of skills provided, access to tertiary studies is limited. Despite the 80% grant given by the government to cover tuition costs and many scholarships available, eligibility is restrictive. As a result, the vast majority of Jamaicans do not have access to tertiary education. On top of that, the island has a high rate of migration among tertiary graduates, especially from ICT fields (Field Research, 2017).

- 2. The reactive training initiative implemented to drive the expansion of the BPO industry encounters both design and implementation challenges.** Even though the Customized Customer Engagement Operations (CCEO) reflects government's commitment to the sector, some shortcoming can be identified both in its design and implementation: inadequate target group, weak institutional capacity and instructional proficiency among the trainers, insufficient training time, absence of internships, erratic student recruitment, and meager private sector participation.
- 3. Negative perception of the BPO industry.** In Jamaica, the BPO industry holds a negative perception. The stigma created decades ago still lingers—BPO jobs are seen as 'stop-gaps', a short-term option and undesirable government strategy to mend the unemployment dilemma (Jamaica Observer, 2016). Because the offshore services industry is very recent in comparison with traditional engines of developing economies, government employees and academic stakeholders regularly ignore or misunderstand the industry needs and potential gains for the economy (Field Research, 2017). As a result, officials' readiness for the execution of the strategies drawn by the Task Force is uneven.
- 4. High operational costs.** In 2014, the commercial price of electricity in Jamaica reached 247.78 US\$/MWh., over one and a half times higher than the global average, set at 146.9US\$/MWh. Jamaica's electricity cost almost doubles Trinidad and Tobago's and is 1.36

²⁶ The Education System Transformation Program is an example. It aims to improve learning through a decentralized accountability framework. By 2015, the reform has generated the following results: 53% of all public school principals have been certified on rigorous competency based training and assessment; 90% of public schools are implementing plans focusing on improving student learning; 95% of all teachers have met requisite standards and have been registered; 52% of all teachers meet professional standards for licensing; National Education Trust has started mobilizing resources from private sources (World Bank, 2015)

higher than Costa Rica's (Climatescope, 2016). The high costs are primarily the result of Jamaica's dependence on imported fossil fuels—petroleum imports account for over 90% of electricity production (MSET, 2017). Additionally, transportation to and from the Free Zone in Montego Bay is both coordinated and paid by the companies due to the lack of public transportation from the residential areas and adjacent parishes.

- 5. Alteration of the free zones incentives incorporating new fees and regulations.** Due to obligations with the IMF and WTO, Jamaica had to reinvent the Special Economic Zone framework. This resulted in the elimination of several fiscal benefits and addition of applications fees, as well as red tape and bureaucracy (Field Research, 2017). Offshore services firms might become less competitive as a result of fiscal charges; this change is especially inconvenient to businesses that are transitioning towards new activities as they will not benefit from previous grants and are facing several regulatory and competitiveness challenges. This change is especially inconvenient to one large BPO operation that recently transitioned towards new activities as they will not benefit from previous grants and are facing several regulatory and competitiveness challenges (Field Research, 2017).
- 6. High rate of crime and deficient enforcement of cybercrime laws.** Despite a significant decline in violent crimes and serious crimes since 2009, Jamaica still has a homicide rate notable significantly higher than both the regional and global averages.²⁷ While the costs cut across society, the high murder rate creates additional costs for offshore services operations, which need to invest in extra security beyond most locations. Also, in spite of government efforts and recent declines of lotto scamming, in 2016 the country lost US\$100 million with more than 200 reported cases of cybercrimes (The Gleaner, 2017). Lotto scamming has been prevalent in western Jamaica, particularly in the 2010-2016 period, damaging the country's reputation and attractiveness as a viable place to set-up customer support operations, which requires sound data protection regulatory frameworks. In addition, adequate enforcement is lacking due to deficiencies in the capacity, processes and technology to properly investigate and prosecute cybercrimes (Government of Jamaica, 2015).
- 7. Shortcomings in the implementation of the national strategy.** Individuals responsible for implementing the actions towards the accomplishment of the National Strategy for the Development of Jamaica's Outsourcing Industry are frequently unable to execute an effectivity authority and obtain results in a timely manner, due to lack of commitment amongst employees/agents within public organizations leading the National BPO Task Force (Field Research, 2017). While each task force member is considered the lead implementing agency in a specific area of responsibility, commitment drawbacks within the agents' level create an undeserved challenge for this body.
- 8. Weak international positioning as an offshore services location.** Jamaica's brand as a nearshore location is not compelling enough to create an attractive identity in the GVC, particularly in high-end BPO and KPO segments. International marketing activities are still largely focused on events and conferences in the call-center industry. In addition, Jamaica's

²⁷ In 2015, intentional homicides per 100,000 people in Jamaica stood at 43, over seven times higher than the world average, 11.5 points higher than Caribbean Small States and 20 points higher than Latin America and the Caribbean average (WBI, 2017). This makes Jamaica the 4th highest murder rate worldwide.

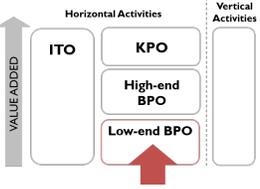
international positioning, it is required to address the statistics and information challenge that revolves around the quantity of human capital available for the industry, including the pool of labor with secondary, post-secondary and tertiary studies completed, by discipline. Currently, reports with correct data on the quantity of graduates in offshore services related disciplines is minimal and/or scattered in reports from diverse educational institutions and/or public agencies.

4 Lessons for Jamaica’s Upgrading in the Offshore Services from Global Experiences

Economic upgrading is defined as actors moving to higher value activities in GVCs in order to increase the benefits from participating in global production (Gereffi et al., 2005). Five examples of distinct upgrading trajectories in the offshore services industry have been identified, and are detailed in Table 8 (Fernandez Stark et al., 2011).²⁸

These upgrading trajectories depict different country strategies to move into higher value-added activities. The trajectories are not mutually exclusive; several of them can happen at the same time. The first trajectory shows how countries have typically entered the value chain, particularly in Latin America and the Caribbean, where a common strategy has been to enter the chain through call centers. The second trajectory refers to countries that are able to offer more sophisticated business operations beyond call and contact centers. In the third trajectory, providers move into the provision of knowledge activities that require a considerable degree of analysis. These analytical services demand a more qualified labor force. The fourth upgrading trajectory usually occurs when large operations are set up in a country and are able to offer a large spectrum of services ranging from low value-added to high value services. These operations offer a ‘one-stop shop’ for clients and reduce overall transaction costs, but they depend on the availability and cost-competitiveness of a large number of workers to serve different stages of the chain. Finally, the industrial specialization upgrading trajectory shows the movement to niche activities for specific industries.

Table 8. Selected Upgrading Trajectories in the Offshore Services GVC

Type	Diagram and Description
Entry into the value chain	 <p>This has been achieved by developing countries principally through the provision of call centers services. This segment draws on previously marginalized labor markets, hiring a large number of young (and women) workers with high school diplomas and in some cases basic tertiary education. These operations rely on scale in order to drive profitability, suggesting that these are best suited for developing countries with large populations. Examples: examples of countries entering the value chain through call centers include El Salvador (Dell, Sykes and Teleperformance), Jamaica (Teleperformance, Sutherland Global, Alorica), Panama (HP and Caterpillar) and Guatemala (Exxon Mobil, ACS and 24/7 Customer). One precondition to enter into the offshore services GVC are free trade zones (FTZ).</p>

²⁸ For more information about upgrading trajectories in the offshore services industry read: i) Fernandez-Stark, K., P. Bamber and G. Gereffi (2011). "The Offshore Services Value Chain: Upgrading Trajectories in Developing Countries." *International Journal of Technological Learning, Innovation and Development* 4(1): 206-234. ii) Fernandez-Stark, K., P. Bamber and G. Gereffi (2011). *The Offshore Services Industry: Economic Upgrading and Workforce Development*, Center on Globalization Governance & Competitiveness and RTI International.

<p>Upgrading from low-end BPO to high-end BPO Functional Upgrading within the BPO segment</p>		<p>This encompasses the shift from basic customer support services from the low-end BPO segment (call-centers) to the provision of higher value-added services from the high-end BPO segment. High-end BPO activities rely on repetitive and transactional functions, as with call centers, although they draw on a relatively more educated labor force, including advanced tertiary students and—to a lesser extent—graduates. Examples: In Central America, offshore service firms entered principally to provide call center services in Spanish for the Hispanic market in the US, but they have rapidly offered additional services as well. Firms first expanded their services to include English-speaking agents. Following this, a number of firms moved into providing more back-office BPO services, such as finance, accounting, payroll, and recruitment. In other countries, such as South Africa, Uruguay, and Chile, the government has provided financial support for training in high-end BPO tasks.</p>
<p>Upgrading from BPO to low-end ITO Functional Upgrading from towards ITO</p>		<p>This encompasses the provision of IT services, whereas in BPO operations or simply attracting global ITO third-party providers or captive centers. It is a common trend for small-scale countries with high maturity in IT exports. Training in ITO functions can be carried out by the private sector, but often firms rely on educational institutions, due to the need for complex course content, highly qualified trainers and focus on STEM education. These institutions have a significant role in providing the required institutional framework for formalizing course content, providing financial support and encouraging the youth to take career paths in the IT sector. Examples: In the South American region (e.g. Uruguay, Argentina and Chile) offshore services firms have leveraged the local capacities derived from global domestic IT companies, establishing low to intermediate ITO processes. In these countries, governments have developed educational policies focused on technology and STEM.</p>
<p>Upgrading from ITO or BPO to KPO Functional Upgrading towards KPO</p>		<p>The shift of ITO and BPO providers into KPO activities is driven by a need to engage customers to find solutions for business problems that require significant analysis, rather than incomplete transactional tasks. Examples: This upgrading trajectory has been observed in India, Chile, Ireland, and Israel, and it has been facilitated by the recruitment of personnel with higher education qualifications. BPO to KPO trajectories are based MBA graduates and workers with business experience and sharp analytical skills. Governments often provide support by adjusting the business environment (e.g. flexibilization of the labor market regulations) and increasing industry awareness amongst tertiary students in professional services fields.</p>
<p>Broad-Spectrum Services Functional Upgrading</p>		<p>This trajectory describes functional upgrading to offer all services in the ITO, BPO and KPO segments. Maintaining the provision of low value services while at the same time providing high valued services requires a large but versatile low-cost labor supply. In small countries, inflationary pressure on wages due to limited but skilled workforce encourages countries to upgrade into higher value services or lose their competitiveness in the industry to other lower cost countries. Examples: Costa Rica is the most illustrative case of upgrading towards Broad Spectrum services. While transactional services are still being present, higher value-added functions were added over time, and today these operations carry out not only low value-added functions, but also high value activities.</p>
<p>Industry Specialization on End-market</p>		<p>Companies offering some ITO, BPO and KPO services for a wide range of industries often specialize and focus on key industries in which to develop expertise. This trajectory is closely correlated with leading productive industries in the host country. Examples: Chile exports engineering services related to mining, India exports pharmaceutical R&D to lead MNCs, and Uruguay exports sophisticated expertise on cattle traceability.</p>

Source: Duke GVCC

4.1 Case Studies

This section examines the successful upgrading experiences of two countries: Uruguay and Costa Rica. Even though there are notable differences in the economic indicators of the case studies and Jamaica, all economies share one very distinct characteristic of great impact on the offshore services GVC: relatively small scale.

Despite this constraint, Costa Rica and Uruguay have been able to develop the skills of their small labor force and achieve high levels of development in the industry, with excellent average exports per employee (Table 9). The actions implemented by these countries provide good examples of the policies and strategies that Jamaica can evaluate to upgrade into higher value-added segments.

The most prominent differences lie in the services performed in each country and the level of education of the workers within the industry. In Costa Rica and Uruguay, most firms perform a broad-spectrum of operations; in addition, the workers with the lowest level of education of the industry (performing low-end BPO functions) are enrolled in tertiary education. The average export revenue per employee of the three economies clearly reflects these differences, with Jamaica displaying the lowest value (Table 9).

Table 9. Economic & Industry Indicators for the Offshore Services Industry, 2016

General Country Indicators	Jamaica	Uruguay	Costa Rica
Population	2,871,934	3,431,552	4,857,274
Gross Domestic Product (GDP) (US\$ billions)	14	52	57
GDP per capita (at PPP) ^(a)	4,709	21,625	16,614
Exports of global services (US\$ millions)	323 ^(b)	2,854 ^(b)	2,396 ^(c)
Exports of global services (% GDP)	2,3%	5,4%	4,1%
Total labor force (millions)	1.444	1.774	2.335
Labor force in offshore services	25,141 ^(b)	19,482 ^(b)	43,500 ^(c)
Offshore services labor force as a % of total labor force	1,7%	1,4%	1,3%
Average exports per employee in the offshore services industry (US\$ million)	0.01	0.1	0.05
Entry Year	Early 2000	Late 1990	Late 1990
Entry Point	Low-end BPO (Call Center)	ITO (Software Development)	High-end BPO (Back-office)
Highest Value Activity	High-end BPO	KPO	KPO - R&D
Secondary Education Enrollment (number)	224.270	265.241	ND
Tertiary Education Enrollment (number)	30.590	34.595	ND

Source: (CINDE, 2017b; Tholons, 2016; Uruguay XXI, 2017a; World Bank, 2017). **Notes:** ^(a) PPP is Purchasing Power Parity; ^(b) 2014; ^(c) 2015.

4.1.1 Uruguay

Uruguay experienced a very early entry in the GVC driven by its local IT industry. Because of its very small domestic market and high quality of education, the country began to export software in the mid-1980 and gradually expanded its participation in the GVC through FDI; by the late-1990, Uruguay started to attract captive and shared services centers to perform high-end BPO and

Broad-Spectrum Services.²⁹ The establishment of new offshore services operations grew significantly in the past 15 years, going from 18 foreign offshore services operations in 2007 to 51 in 2016 employing 19,482 individuals (Uruguay XXI, 2017b). As a result, Uruguay's global services exports increased from US\$357 to US\$2,248 million between 2007 and 2014, multiplying their value by four times, achieving a share of 5% in the country's GDP and 1.4% of employment (Uruguay XXI, 2017a).

While the country has one of the smallest populations in Latin America, it stands out as a privileged location in terms of stability, safety and qualified talent for mid-end IT services, high-end BPO activities, and R&D for the pharmaceutical and health industry. The country value proposition is based on the following pillars: i) strong political and social stability, supported by a consolidated democracy and strong rule of law;³⁰ ii) tax exemptions and/or specific incentives for IT services exports, shared services centers, call/contact centers, and biotechnology activities, as well as those offered through the free trade zones; iii) high quality of elementary, technical and tertiary education³¹; iv) excellent technological infrastructure development³²; and v) quality of life³³.

Today, Uruguay has presence in all segments of the GVC, although with different degrees of participation. Most foreign companies provide high-end BPO activities or broad-spectrum services to their international headquarters, regional affiliates or global clients, accounting for 37% and 29% of the total industry in 2016, respectively. ITO and KPO operations within these firms are somewhat less important, accounting for 17% and 6% the total number of companies (Figure 19). It is estimated that these operations account for almost 50% of total industry employment—10,304 in 2016. Local firms participate mostly in the ITO segment and to a lesser extent, in high-end BPO activities such as finance and accounting, and vertical sectors, including architecture, advertising and medical devices. More recently some local players began to export legal, audit and market intelligence services (Uruguay XXI, 2017a).

²⁹ Broad-Spectrum services entail a wide variety of activities pertaining to different segments of the Offshore Services GVC.

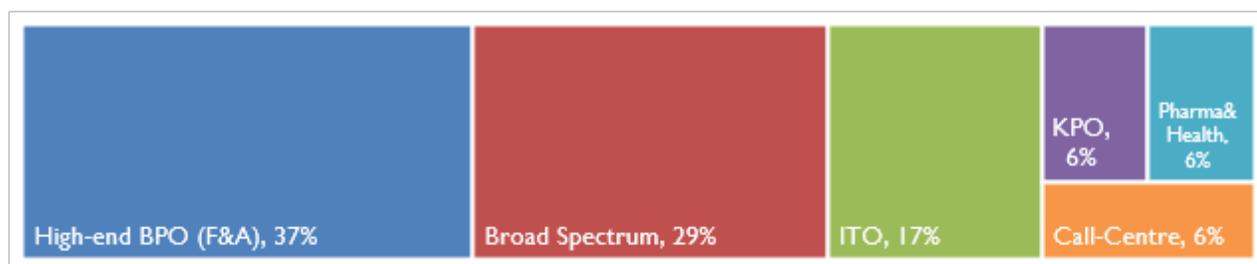
³⁰ Uruguay is Latin America's leader in the following rankings: Democracy Index (Economist Intelligence Unit, 2015); Low Corruption (Transparency International, 2015); Prosperity Index (Legatum Institute, 2015); Rule of Law Index (World Justice Project, 2015).

³¹ Uruguay has the highest literacy rate in Latin America (98%) and education is free from pre-school through university (Uruguay XXI, 2017a).

³² Uruguay leads the Information and Communication Technologies Development Index from the International Telecommunication Union (ITU), with the highest fixed broadband penetration and lowest mobile broadband cost (Uruguay XXI, 2017a).

³³ Montevideo, the capital city, has been recognized as the city with the best quality of life in Latin America by Mercer (2016). In addition, it is the country with the largest middle-class population in Latin America and the most egalitarian income distribution, contributing to social and economic stability (Uruguay XXI, 2017a).

Figure 19. Uruguay's Offshore Services Industry, based on foreign operations, 2016³⁴



Source: Authors based on data provided by Uruguay XXI (2017).

Industry composition and evolution

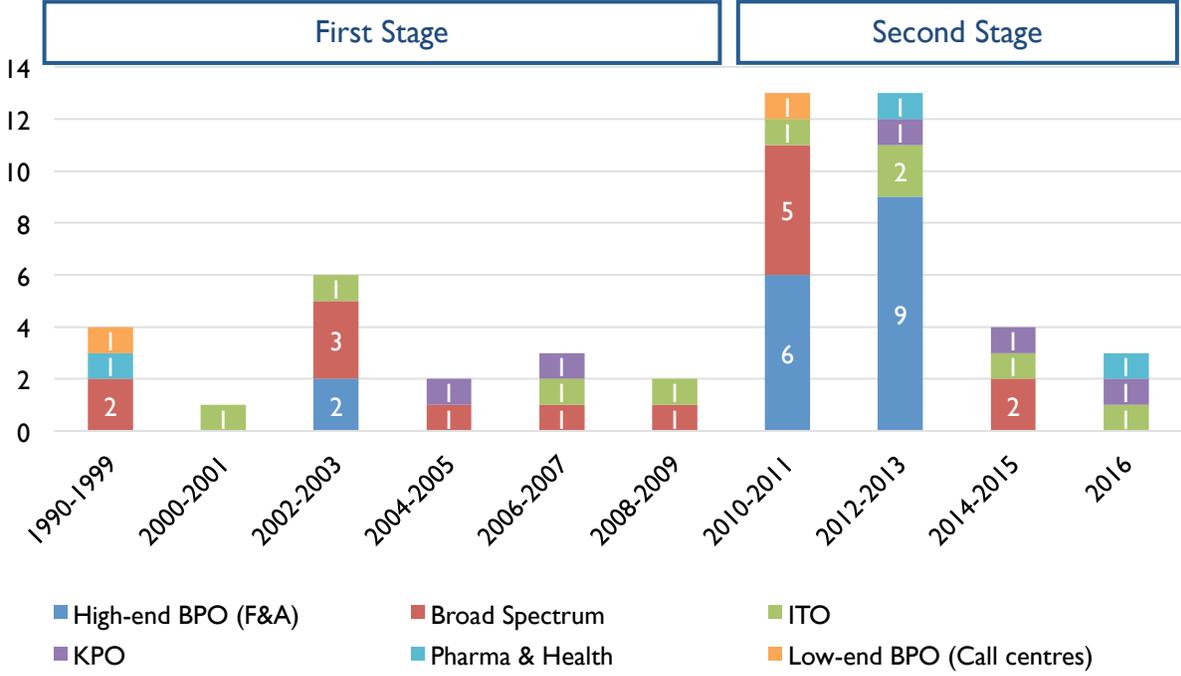
As of 2016, there were a total of 51 foreign companies operating from Uruguay. Of these, 39 are captive and shared services centers from large MNCs; 12 are third-party providers. Most foreign investment comes from developed countries in Europe (39%), including Switzerland (12%), Germany (8%), Netherlands (8%), France (4%), Belgium (2%), and Italy (2%). US-based companies account for 27% of foreign operations, followed by Latin-American-based companies, namely Argentina (14%) and Brazil (6%). Due to the country's small workforce, Asian third-party providers do not have a strong presence; the only Indian presence is through Tata Consultancy Services—India's largest supplier of IT/BPO services—which installed a 'Center of Excellence' in Uruguay back in 2012 (Uruguay XXI, 2017b).

Two major stages in the offshore services industry in Uruguay can be identified based on the entry of new foreign firms to the value chain segment (see Figure 20).

- **First stage (1990-2010):** Captive centers entering at this time (18) were mostly in the BPO segment, performing back office operations as part of a cost-reduction strategy. During this period, however, Uruguay lacked international positioning as an offshore services location, as well as specific programs and strategies aimed at improving its competitiveness.
- **Second stage (2011-2016):** Represents a period of strong sector growth. Even though around 50% of captive centers established in this stage performs high-end BPO services, the period was characterized by an influx of firms into most segments.

³⁴ The distribution of segments by exports would depict a different and less advanced diagram; however, the level of disaggregation of these statistics is far below the reasonable for our GVC methodology.

Figure 20. Foreign Offshore Services Companies in Uruguay by Year of Establishment and Segment of the Value Chain, 1990 - 2016



Fuente: Authors based on data provided by Uruguay XXI (2017).

In addition to the growth of foreign operations in the country, the inflow of captive centers prompted Uruguay’s upgrading in the value chain to position itself as a preferred location for broad spectrum operations, namely for shared services centers. After their establishment, most MNC discovered that Uruguay’s human capital was highly educated, tech-savvy and relatively more productive than other LAC locations; hence, they began to transfer higher value-added activities from other countries in the region and the world to the already established captive center in Uruguay, including R&D in information technology, data analysis, and legal services (Couto, Forthcoming).

Policies and Programs

Uruguay has developed favorable, stable and reliable regulatory frameworks for FDI since late-1980s. The Free Zones regime, for instance, was created in 1987 and since then, any firm established under it is exempt from Corporate Income Tax (25%), Wealth Tax (IP) and any other tax created during this period, or to be created in the future (Uruguay XXI, 2017a).³⁵ While fiscal incentives specifically designed for the offshore services industry are much more recent, the Free Trade Zones have had a significant impact on the development of the industry; in fact—similar to Jamaica—operators of this regime (e.g. Zonamerica) were the first stakeholders to promote

³⁵ Other benefits for companies installed in Free Zones include the following: dividends paid to shareholders domiciled abroad are also exempt from paying taxes in the country; foreign staff may opt between making social security contributions in Uruguay or in their country of origin; foreign sales and purchases of goods and services are not taxed by VAT, neither are sales and services provided within the free zone; IRAE does not apply either when sales destined for the national territory do not exceed 5% of the total sales in goods in transit or deposited in the free trade zone (Uruguay XXI, 2017a).

Uruguay as an offshore services location in external markets, successfully attracting FDI despite the absence of awareness amongst government officials on the importance of this sector.

During the past two decades many segments of the industry (e.g. ITO, contact centers, biotechnology) obtained their own specific tax incentives. However, it was not until 2012 that the country developed a specific strategy to develop the offshore services industry and position Uruguay in the GVC. This effort began with the approval of the first program entirely focused on the offshore services industry in Latin America and the Caribbean, the Global Services Program (GSP). The GSP was financed by the Inter-American Development Bank (IADB) and the Uruguayan Government for a total of US\$13 billion. The GSP is an ongoing project, aimed at increasing FDI, exports and employment in the offshore services industry. The program is run by the parastatal National Trade and Investment Promotion Agency (Uruguay XXI) through an Implementation Unit attached to the Executive Directorate of this organization.

As of December 2017, the most relevant achievements of the GSP include the following: (i) the development of quantitative and qualitative reliable data on the industry; (ii) participation in more than 50 international offshore services fairs and events; (iii) organization of guided visits to more than 100 potential foreign investors; (iii) creation of awareness among government officials and the promotion of a specific offshore services agenda; (iv) facilitation of the residencies and visas procedures for foreign investors and highly-qualified workers; (v) design of the Shared Services Centers Decree, which provides a 90% exemption of IRAE and IP applicable to assets attached to SCC activities for a term of five years, provided that the operation creates at least 150 new direct qualified jobs and a training plan is implemented for a total of US\$1,200,000 (Ferrari, 2017; Uruguay XXI, 2017a).

One critical component of the offshore services industry is human capital development. In Uruguay, the GSP created a special team that coordinates skills development and awareness strategies. Within this component, the GSP has developed two successful instruments: 'Finishing Schools' and 'Smart Talent'. 'Finishing Schools' is a subsidy (reimbursement) available to offshore services companies that covers between 40% and 70% of their training plans in technical, language and soft-skills (GSP, 2017). The success factors of this instrument go well beyond the economic factor, including the flexibility and agility of the administrative process to provide the reimbursement in a timely manner. In fact, even though Uruguay's government provides other instruments to finance private investment in training—some of them providing relatively higher grants—most offshore services companies opt for the 'Finishing School' instrument, based on its outstanding simplicity and expedition: to obtain the acceptance of the reimbursement, companies must complete and send a short form by e-mail, which is accepted or declined within 10 days after its mailing. As per February 2017, 121 training programs have been approved and over 3,500 individuals have been trained in skills selected by the user companies, for a total of US\$2,150,000. The GSP financed 41% of total investment (Uruguay XXI, 2017a).

The second key strategy of the GSP in terms of human capital development is 'Smart Talent', an online job platform that incorporates a national skills registry and provides services to facilitate talent access to firms. In addition, the team that manages the platform has developed solid communication and interaction channels between both public and private education institutes throughout all levels, positively impacting in the offshore services perception among the youth from the secondary level, as well as among professors and authorities from the formal education system (Uruguay XXI, 2017a).

Finally, the GSP created an offshore services brand to position the country as a preferred location for high value-added activities. The brand, 'Uruguay Smart Services', was accompanied by the development of promotion materials, which were shared with all the industry stakeholders for a uniform international promotion. Overall, the data provided in this section demonstrates that Uruguay is an important player in offshore services in the region, as well as an interesting case of successful policies towards industry development.

4.1.2 Costa Rica

Costa Rica is a pioneer in attracting offshore services to Latin America and the Caribbean. Since the mid-1990s, the country has been a preferred location for MNCs looking to reduce costs and take advantage of its unique combination of draws, including its close location to the US, its largely bilingual population and relatively safe and stable security environment. As a result, service exports have increased 20-fold since 1995, accounting for almost 6% of the GDP (CINDE, 2015a).

MNCs have set up both captive centers and third-party service providers in Costa Rica, with the latter allowing companies to use the country as a platform to export competitively priced services. This 'first mover' strategy produced excellent results. In 2005, there were 33 MNCs firms employing 10,802 people and exporting around US\$387 million (Fernandez Stark et al., 2013). In 2015, the number of MNCs multiplied by five, and exports were close to US\$2.3 billion, for a total employment of 43,500 workers (CINDE, 2016).³⁶ The CAGR of these indicators rises to 20% in terms of exports and 15% in terms of employment.

Today, Costa Rican-based operations have a presence in all segments of the value chain with different degrees of participation. Broad spectrum activities account for almost 34% of the industry, followed by ITO operations, which comprise around one-quarter of offshore services operations. The remaining half of the industry is concentrated in the BPO segment, accounting for 29% of firm; low-end BPO companies represent a slightly higher share of the industry than high-end BPO companies. Highly specialized operations in the engineering and design field account for 7% of the industry (Figure 21).

³⁶ This information is from MNCs operating in an FTZ regime that represents around 80% of the total companies and one third of total services exports in 2015. In this section we use the data from companies operating under the FTZ regime due to the data availability.

Figure 21. Distribution of Costa Rica’s Offshore Services Operations by Segment of the GVC, 2017³⁷



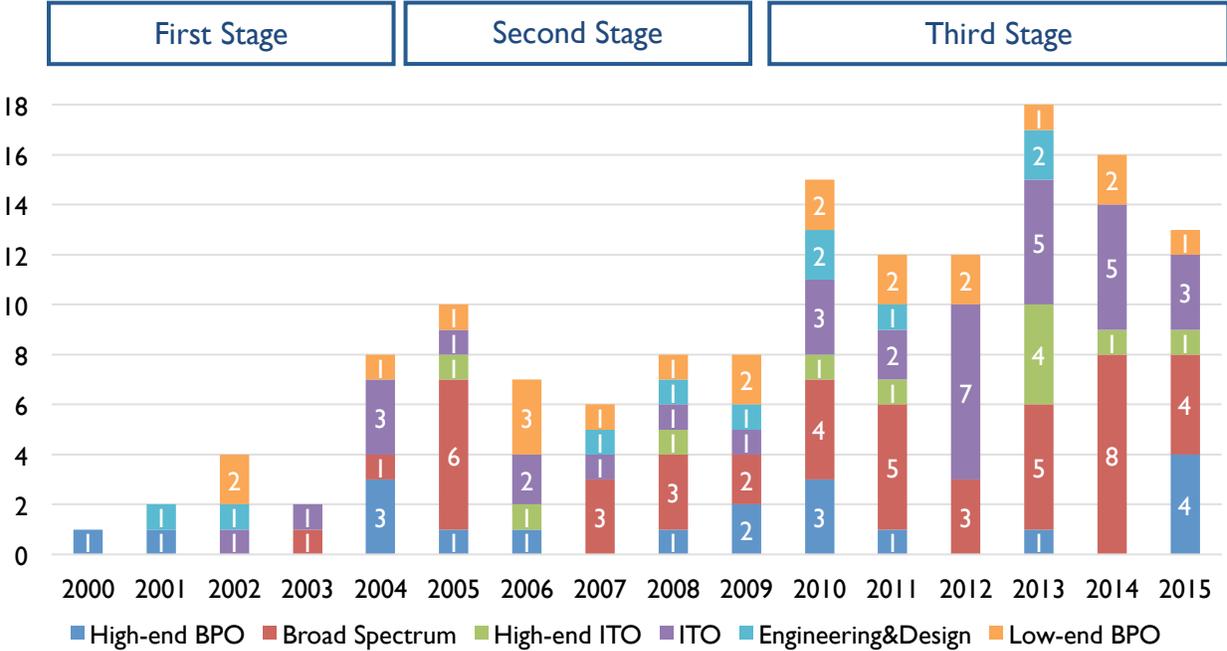
Source: Authors based on (CINDE, 2017a)

Three major stages in the offshore services industry in Costa Rica can be identified based on the entry of new firms to the value chain segment (see Figure 22):

- **First stage (2000-2004):** Firms entering at this time (17) were mostly in the ITO and low-end BPO segment, yet, entry was sporadic and inconsistent across the value chain segments.
- **Second stage (2005-2009):** A relatively high growth stretch, with 27% of the offshore services operations that exist today in the country established during this period. More than 36% of these operations were concentrated in the Broad-Spectrum segment, with the remaining share indicating an influx into most segments; however, the low-end BPO segment accounted for the largest share after Broad-Spectrum.
- **Third stage (2010-2015):** The largest stretch of growth, with around 6 out of 10 companies currently in the country established during this period. The composition of new entries in this period is similar to the previous, with 34% operations in the Broad Spectrum segment; yet, the ITO segment is now the second largest segment, with a 30% share. In fact, most ITO firms operating in the country were established during this period (70%) and several important global third-party providers and captives of large multinational firms entered Costa Rica at this time, including Infosys, Mondelez, Kimberly-Clark, Cognizant, IBM, Walmart, Bridgestone, and Thomson Reuters, among others.

³⁷ The distribution of segments by exports would depict a different and less advanced diagram; however, the level of disaggregation of these statistics is far below the reasonable for our GVC methodology.

Figure 22. Offshore Services Companies in Costa Rica by Year of Establishment and Segment of the Value Chain, 2000 - 2016



Source: Authors based on (CINDE, 2017a)

In addition to the significant growth of foreign operations in the country, Costa Rica has been moving up in the value chain and performing increasingly complex activities. For example, companies providing broad spectrum services established operations with the intent of performing a limited number of activities; yet additional service functions were added over time, and today these operations carry out not only low value-added functions, but also high value activities.

Costa Rica has a slightly larger population than Jamaica and Uruguay, with 4.86 million in 2016. However, in comparison with regional and global competitors, the pool of available workers is small. This constraint is further aggravated by the fact that the country’s first language is Spanish; in the last five years, the availability of English-speaking workers and professionals has been decreasing, driving salaries up.

While there is a limited labor supply, workers generally have strong human capital skills. In Costa Rica, around 70% to 75% of the employees in the offshore services industry—especially in the BPO segment—are studying to obtain a university degree (Fernandez Stark et al., 2013). This has promoted a substantially different approach to skill development compared to countries such as Jamaica. In Costa Rica, firms encourage their employees to continue with their professional development by partially financing university studies. Also, companies have developed internal training programs focused on technical skills, interpersonal abilities and languages; some have even established its own educational institution (e.g. HP). Lastly, unlike Jamaica’s stakeholders, companies operating in Costa Rica’s offshore services sector place a high value on graduation from the country’s technical high schools (Fernandez Stark et al., 2013).

Even though Costa Rica has gained worldwide industry recognition as an important Latin American destination for offshore services, the scale constraint is severe and somewhat comparable—at least in terms of volume—to Jamaica’s limitations. In fact, at the end of the second stage of development, Costa Rica started to show signs of saturation, which lead to high attrition rates and salary inflation. As a result, in 2011, the Ministry of Foreign Trade (COMEX) and the Ministry of Science and Technology (MICIT) came together to create a working group tasked with collectively addressing human capital challenges.³⁸ The group meets regularly to report on members’ efforts to bridge the gap between labor supply and demand, and to propose new targets and courses of action (Fernandez Stark et al., 2013).

Policies and Programs

While Costa Rica offers a legal framework (Free Trade Zone) that provides a 100% exemption on income and withholding taxes—and certain tax holidays—to foreign investors, including captive centers and third-party providers, the most renowned policies and programs of the offshore services industry are those aimed at improving the skills of the human capital and to deliver highly specialized and judgement-based services.

Unlike other countries in Central America that entered the sector with call center operations, Costa Rica entered in the offshore services global value chain by providing slightly higher value, back office services via captive centers. Accordingly, the government has devoted a significant amount of resources and efforts towards skill development and talent pool expansion. One key institution for skills development has been the Costa Rican Investment Promotion Agency (CINDE). The organization has been particularly effective in creating and nurturing communication channels between firms in the sector, universities and the Ministry of Public Education. As a result, in the past several years the country has established a strong relationship between industry and academia, triggering and further enhancing the creation of specialized, tailored skills and curricula required by leading companies. Some current academic areas with tailor-made programs—both within technical and university institutions—that have been developed based on identified needs of the sectors, and designed in collaboration with government, academia and CINDE include: bioinformatics, database technologies, business administration, statistics, human resources, marketing, economics, among others (CINDE, 2017b).

To promote the development of skills that support employment in offshore services and other desirable sectors, Costa Rica’s government has been active in supporting technical education and language skill development at all levels (Box 2). In addition, in partnership with local MNCs, the government has made grants available for technical and university studies. Finally, CINDE launched an innovative web platform in 2013 that works as a link between interns from the education system and companies looking for the best talent. Currently, more than 60 companies participate in the program, and 1,500 students are registered, with more than 100 having gone through internships in offshore services companies (CINDE, 2017b).

³⁸ The members of the Human Capital Working Group come from a range of government bodies, including the Ministry of Education (MEP), the National Institute of Learning (INA), the Costa Rica’s National Council of Rectors (CONARE), the President’s Council on Competitiveness and Innovation, the Ministry of Labor and Social Security (MTSS), the Competitiveness Promotion Council of Costa Rica, the Costa Rica Multilingual Foundation (CRML), the Costa Rica Institute of Technology (ITCR), COMEX, MICIT, and CINDE.

Box 2. English Training in Costa Rica Technical Education: ‘Tools for Success Plus’

The ‘Tools for Success Plus’ is a full scholarship program that benefits students from technical high-schools. The program—established in 2007—selects the best students of all disciplines to improve their second language (English or Portuguese), providing 16 months of language course. At the end of the course, each student obtains an international language certification. This scholarship has been supported by many offshore services operations from MNC established in Costa Rica, such as Procter and Gamble, HP, Intel, Thomson Reuters, Amazon, Accenture, Cognizant. Each company select the quantity of students they want to sponsor, as well as the technical high-school and field of specialty.

The coordination of ‘Tools for Success’ is held in CINDE, which manages the scholarships funds and follows the progress of the students in close coordination with the high schools and training institutions. As per July 2015 (i.e. 8-year period), the program has provided English language training for more than 1,100 students; 80% of students have obtained a B1 English level or above; 70% have done an internship in a sponsor company and 50% have become an active part of the company’s payroll.

Source: (CINDE, 2015b)

Costa Rica’s government has worked in several other key components of the industry to enhance economic upgrading and facilitate FDI attraction, including the implementation fast track immigration regimes for foreign investors and improvements in infrastructure and quality of life. Currently, CINDE is working in the implementation of the 2015-2020 strategic plan that includes the following objectives: i) consolidation of current strategic sectors; ii) identification of new sectors; iii) creation of productive linkages and attraction of new international suppliers; iv) investment promotion in Tier-II cities beyond the extended San Jose; v) promotion of investment climate; and vi) enhancement of a client-centered institutional culture.

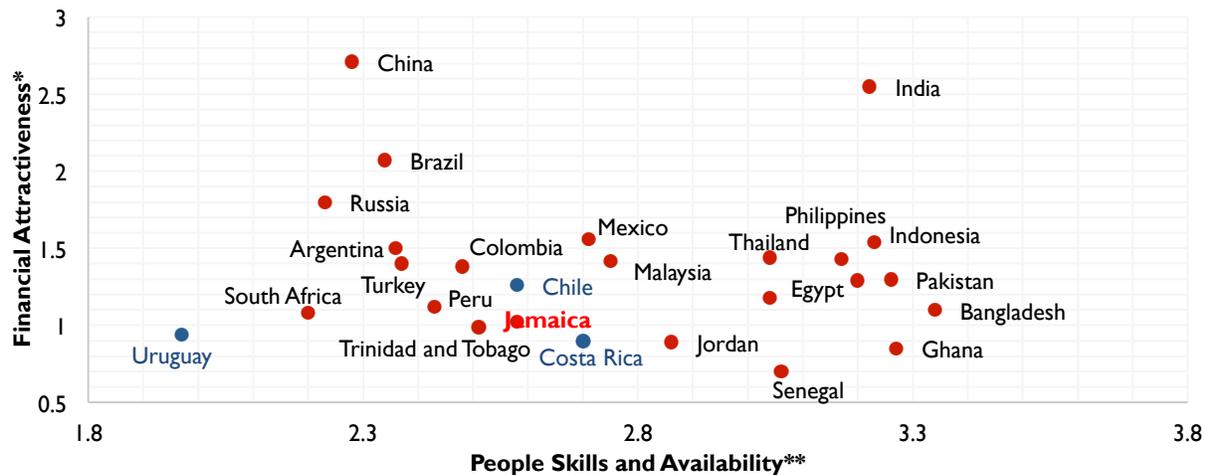
4.2 Lessons Learned for Jamaica

Although there are important points of differentiation between Jamaica and the two countries examined in the case studies—both Uruguay’s and Costa Rica’s exports per employee are significantly higher than Jamaica, and both have entry the GVC in higher stages—there are significant lessons that can be learned by Jamaican stakeholders as they attempt to support the current expansion of the low-end BPO industry and develop a position as a prominent nearshore location for higher-end segments of the GVC. The most immediate of these include the following:

In economies with scale constraints, institutions play a very important role in the attainment of economic upgrading. Both Costa Rica and Uruguay have below 5 million residents. However, for the last decade, these locations have been a preferred site for judgement-based operations due to their political and socioeconomic stability, well-educated workforce, world-class telecommunications infrastructure, clear investment rules, and high standards of living. In addition, their governments have been actively developing policies focused on improving the regulatory framework for FDI attraction and implementing innovative skill development strategies. In fact, while Jamaica ranks 39th in the business environment indicator of the A.T. Kearney Global Services Location Index, Uruguay and Costa Rica (along with Chile) are the only developing countries in the offshore services market that offer a business environment above the median (see Figure 23).³⁹

³⁹ Business environment includes the following dimensions and metrics: i) country risk (economic and political measured by political risk, foreign investment, and ease of doing business; ii) cultural adaptability measured by A.T. Kearney; iii) country infrastructure measured by country infrastructure quality (telecom, electricity), overall local

Figure 23. Matrix of Global Services Location based on A.T. Kearney Index (2016)



Source: Authors based on (A.T. Kearney, 2016). North American and European countries are excluded. **Notes:** blue circles indicate that a country is above the median value of the business environment indicator (1,62), and red circles indicate that the country is below the median value of the business environment indicator; (*) Financial Attractiveness is measured by: i) compensation costs; ii) infrastructure costs; and iii) tax and regulatory costs. (**) People Skills and Availability is measured by: i) cumulative services experience and skills; ii) labor force availability; iii) educations skills.

Skill development strategies should be supported by an agile and efficient framework.

The offshore services industry is highly dynamic and changes in the education system cannot respond in a timely manner to the changing requirements of the companies. Hence, policies towards skill development and economic upgrading should be driven by the needs of the private sector, which should be highly involved in skill development. In addition, instruments to facilitate training within companies should avoid excessive bureaucracy and be as agile as possible.

Training initiatives should be targeted at individuals enrolled in a tertiary degree. This standard is reinforced in the light of relatively low teaching quality challenges of primary and secondary education in Jamaica and the rapid advance of automation and robotization in the GVC. In recent years, it has become clear that—even in the lower-end segments of the offshore services GVC—the most productive and upgrading-enablers human resources are enrolled in a tertiary education degree. Accordingly, in leading offshore services locations most finishing schools for the low-end IT/BPO industry are aimed at fresh graduates or undergraduate students who are in the last years of their courses of studies (Ferrari & Couto, 2017; Garcia & Bafundo, 2014; Mitra, 2011).

Strong public-private coordination is paramount. Uruguay and Costa Rica’s most effective strategies are those that involved a great level of collaboration between the private and public sector. In Uruguay and Costa Rica, public-private partnerships as well as a coordinated communication between the academia and companies were vital for the development of effective and sustainable training frameworks, such as ‘Finishing Schools’ and ‘Tools for Success Plus’. Furthermore, the international marketing of the industry-specific brand and promotion activities abroad involve both groups of stakeholders. In Costa Rica, the content of the programs is

infrastructure quality; iv) security of IP measured by ratings of intellectual property protection, ISO information security certifications and software piracy rates.

determined by the employers themselves, ensuring that the skills developed and supported by the government match industry needs.

Rapid expansions in employment can create severe challenges for a small country's competitiveness. Due to high demand and limited supply of human capital, the offshore services industry of Costa Rica and Uruguay have showed—and currently show—signs of saturation, especially in the ITO segment. Eventually, the shortage of talent to support the influx of MNC challenged the competitiveness of both economies due to high attrition and salary inflation. In light of the strong projected growth in Jamaica's BPO industry, the government should start to develop efforts to develop specialization niches and attract higher value-added operations that require much less scale than call centers. This will mean great efforts and resources devoted to skill development.

Strategies aimed at improving the available skills should be designed with the ultimate goals of encouraging FDI and after-care. In Uruguay and Costa Rica, FDI attraction and after-care were the prominent goals of skills development strategies. In turn, human capital strategies served to demonstrate that governments were fully committed with the industry and supportive of their needs; this encouraged firms to continue investing in the country and to recommend the countries as good locations to offshore services.

In the offshore services industry, the value proposition of the country for its international promotion should be consistent across all stakeholders. According to companies established in Uruguay and CINDE, one very successful component of these countries' value proposition is its uniformity and consistency across all governmental agencies and already established companies.

5 Recommended Upgrading Trajectories for Jamaica

The analysis presented earlier in the paper shows Jamaica currently participates in the BPO segment of the value chain, having a strong presence in the low-end BPO segments and a meager but promising participation in high-end BPO activities, such as finance and accounting, HR management, and some vertical industries, including Healthcare. While substantial growth is possible in the near term that could propel the industry forward, there are challenges that could endanger that progress. For these reasons, this report recommends a three-pronged upgrading strategy for Jamaica's offshore services sector. Each is outlined below.

- I. Short-term process upgrading to improve the productivity of the labor force and support the expansion of the low-end BPO industry.** Even though this challenge is currently trying to be alleviated through the CEEO Program implemented by HEART Trust/NTA, the initiative is already facing several challenges both in terms of quality and quantity.⁴⁰ The most important constraints are two-fold: i) the Government is trying to solve the human capital challenge of the BPO industry with school leavers and unemployed youth; and ii) the private sector is not involved in the training process. Both characteristics run counter to global standards and best practices from small economies, which show that training interventions are most effective when target populations have completed 12 years of education and enrolled in tertiary level studies and the private sector is directly involved in the training process. Widely adopted interventions that have been successful in small-

⁴⁰ See Section 3.5.2, 'Challenges'.

scale countries also include tax break incentives, incentives and reimbursements for training developed by the companies in the specific skills; student recruitment and selection are frequently done by the firms, with the government providing a facilitator role.⁴¹

- 2. Short-to-medium term product upgrading within the BPO segment.** Despite its small share in the current industry, the high-end BPO segment is a promising avenue of economic upgrading for Jamaica. The country appears poised to move up the BPO segment by both incorporating higher-end operations in established companies and attracting new investment—the bulk of jobs will likely remain concentrated in the low-end of the BPO segment. Within this product upgrading trajectory, the most attractive opportunity is to enter the ‘Shared Services English-oriented’ market. Jamaica has the capacity to become a truly nearshore English-speaking location for shared services centers, offering a decent and growing size of an untapped talent pool: 13th graders enrolled in the tertiary level as well as university and tertiary college graduates can perform agile-judgment-based services such as finance and accounting, human resources management, and market research. In the last five years, two foreign companies established in Jamaica have implemented small but successful shared services operations providing these types of services to regional affiliates and international headquarters, with both growing at rapid rates. Based on the accomplishment of these operations and the growing figure of tertiary graduates in the F&A field, proactive interventions focused on enhancing the skills of 13th graders enrolled in tertiary education and attracting higher-end BPO operations will provide Jamaica the opportunity to alleviate its brain drain, encourage entrepreneurship and promote innovation.⁴²
- 3. Long-term functional upgrading to move into the KPO segment—Legal Process Outsourcing.** Functional upgrading requires completely new skills to be sourced from the labor market. The LPO segment demands tertiary level students for entry-level positions and experienced workers in the field for senior positions. This has proven difficulty for KPO firms in Jamaica as there is limited qualified and experienced labor available in the workforce. However, the island has experienced recent growth in the number of attorneys and law professionals, doubling the amount of available talent pool for LPO in the 2013-2015 period (PAJ, 2017). This upgrading will require future-oriented interventions in education; namely, improvements in skills from very early ages up to the tertiary level. Interventions elements include solid literacy and numeracy programs, tools for the world of work, high quality technical and tertiary education, and soft skills training aligned to local challenges such as work ethic, communication skills, fostering the desire to learn, teamwork, problem solving, and adaptability (Fernandez Stark et al., 2012).

⁴¹ This strategy is commonly denominated ‘demand specific’ finishing schools, defined as trainings to reduce the gap between one industry skills requirement and the available skills within the labor pool, through a training support that aims at complementing—not substituting—formal education (Ferrari & Couto, 2017; Garcia & Bafundo, 2014).

⁴² Professionals, senior offices and technicians in the finance and accounting field increased from 4,824 in 2013 to 6,409 in 2015, experiencing a 33% increase (PAJ, 2017).

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