

Analyzing the Effect of BPO Outsourcing on Job Creation and Economic Growth: An Analytical Perspective

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DOI:10.48047/jcdr.2021.12.02.107

Abstract

BPO outsourcing, which stands for Business Process Outsourcing, has had a significant effect on job creation and economic growth. By outsourcing certain business functions to external service providers, companies can focus on their core competencies and reduce costs. This has led to the creation of a vast number of job opportunities in countries where BPO services are being outsourced. Developing nations have benefited from this trend, as they have attracted foreign investment and established BPO centres, providing employment to their skilled workforce. The expansion of the BPO industry has not only resulted in direct job creation but has also spurred the growth of ancillary industries such as transportation, real estate, and technology. Moreover, the inflow of foreign capital and the development of a skilled labour force have contributed to economic growth, increased exports, and improved infrastructure in these countries. Overall, BPO outsourcing has proven to be a catalyst for job creation and has played a vital role in the economic development of various nations.

Keywords: *BPO Outsourcing, Job Creation, Economic Growth, Core Competencies, Foreign Investment*

Introduction

Business Process Outsourcing (BPO) has emerged as a transformative practice that has greatly influenced job creation and economic growth on a global scale. BPO outsourcing refers to the delegation of specific business functions to external service providers, allowing companies to streamline operations, enhance efficiency, and reduce costs. This trend has had a profound impact, particularly in developing nations, where BPO centres have flourished, creating many employment opportunities for the local workforce. As companies shift their focus to core competencies, they are more inclined to outsource non-core functions, leading to the

establishment of BPO centres in countries with competitive labour costs and skilled talent pools. These centres serve as hubs for various industries, attracting foreign investment and driving economic growth.

The effects of BPO outsourcing extend beyond direct job creation. The growth of the BPO industry has spurred the development of ancillary industries, such as transportation, real estate, and technology. As BPO centres expand, there is an increased demand for office spaces, infrastructure, and transportation networks. This, in turn, leads to investments in these sectors, generating additional employment opportunities and fostering economic growth. Furthermore, the development of BPO centres necessitates the adoption and advancement of technology, thereby boosting the IT sector and creating a ripple effect across the economy. The increased foreign capital flowing into these countries further bolsters economic growth by stimulating investment in various industries and contributing to overall development.

BPO outsourcing has also had a positive impact on the international trade dynamics of participating nations. As companies outsource non-core functions, they often rely on foreign BPO service providers, leading to an increase in exports of services. This has contributed to a favourable balance of trade, as developing nations leverage their skilled workforce and cost advantages to provide high-quality BPO services to clients worldwide. Moreover, the growth of BPO centres has catalyzed the development of skilled labour pools, with individuals acquiring specialized knowledge and expertise in areas such as customer service, data analysis, and IT support. This, in turn, enhances the overall competitiveness and attractiveness of these nations in the global marketplace. Figure 1 shows the benefits of the BPO sourcing:



Figure 1 Benefits of BPO Sourcing (Source: oworkers.com)

Literature Review

An article makes the case that increasing employment in emerging nations by outsourcing to rival businesses frequently leads to a decline in unionization and lower wages as compared to typical, integrated manufacturing corporations. According to his analysis of the factors that influence unionization rates and wages in the manufacturing industries, competitive outsourcing hurts workers in three ways at the plant level: it lessens their ability to strike, raises the risk of plant mobility, and raises labour costs relative to other costs. (Anner, 2011). In another research, firm-level features that support onshore and offshore business process outsourcing (BPO) are identified and analysed. We create a conceptual model using organisational learning and capabilities. With the help of historical data on a diverse cross-section of US companies, we test the conceptual model. According to our empirical findings, companies that have experience with offshore BPO are more likely to have capabilities related to IT coordination applications and process codification, as well as experience with onshore IT outsourcing. Companies that have

experience with internationalization are more likely to have offshore BPO capabilities. Additionally, we discover that the effect of process codification is somewhat mediated by IT outsourcing and that onshore BPO is more affected by IT coordination apps than offshore BPO. (Whitaker et. al., 2010).

An article gives particular emphasis on how offshore outsourcing affects employment rates and import income. The article also compares these changes between the USA and Germany. Analysis of the gathered data reveals that offshore outsourcing has an impact on a country's economic development and the well-being of its citizens. The results point to the necessity of fostering local and regional manufacturing in or close to the country of consumption. (Gurtu et. al., 2016). Another study looked at how business process outsourcing (BPO) impacts a company's performance. The 144 Kenyan State companies that were operational as of December 2012 were the subject of the census survey. The core data came from surveys given to State corporations, and the secondary data came from reports already in existence from the Auditor General's office and the Performance Contracting instrument. To determine the degree of association between the variables, the study used descriptive and inferential statistics, while simple and multiple regression analysis was used to determine the cause and effect, strength, and direction of the link between the variables. The study's conclusions supported Kenyan state corporations' involvement in outsourcing and the fact that BPO improved the performance of the companies. (Awino & Mutua, 2014).

This article focuses on information technology (IT) outsourcing and the effects that it has on employment growth over the medium term. The study provides evidence that outsourcing information technology has a favorable influence on the employment growth rate of enterprises, although this benefit is limited to firms that operate in the service sector. (Ohnemus, 2010). Another study examines the real options theory's assertion that offshore outsourcing's primary value drivers are flexibility and uncertainty. It concludes that market and environmental unpredictability and flexibility have a net positive influence on outsourcing value and have a bigger impact on offshore outsourcing than domestic outsourcing. The benefits of outsourcing are linked to the flexibility that results from expansion alternatives and is restrained by switching costs, such as lost inventiveness and cultural differences. The possible loss of inventive capacity

and cultural differences in dealing with international suppliers could undermine this relationship. (Choi et. al., 2018).

A paper examines the enterprises' outsourcing choices while considering the implications of their regionally distinctive embeddedness. It focuses on the function of labour relations as a factor that might affect entrepreneurs' decisions to turn to business partnerships. The study's empirical portion demonstrates that while industrial relations have a larger explanatory power than transaction costs, they are less clear. International delocalization and outsourcing are typically used in complementary ways by RE enterprises, but the association relies on the activity and makeup of the delocalization channel. The pattern of socio-economic growth in the region where the enterprises are based seems to have an impact on outsourcing tactics. (Mazzanti et. al., 2011). Another research looked at how the domestic market structure affects global entrepreneurship in the Indian software sector. It was discovered that powerful organisations typically participate in the high revenue per employee BPO industry category, whereas weaker firms typically participate in the low revenue per employee high technology industry segment. The implications of the findings and potential directions for future study were also identified. (Majumdar et. al., 2010).

A study uses economic data to demonstrate that IT outsourcing has a significant positive influence on India's output and productivity. It also proves that overall, IT outsourcing significantly contributes to India's economic expansion. (Kite, 2012). Another study established the impact of operational effectiveness on the performance of oil and gas distribution companies in Kenya and the relationship between business process outsourcing and it. All the oil and gas distribution companies in Kenya that are registered with the Energy Regulatory Commission were subjected to a cross-sectional descriptive survey study design to gather primary and secondary data. The hypothesis was tested using correlation, simple, and multiple regression analysis. The results provide adequate statistical support for the claim that performance and BPO were fully mediated by operational efficiency. The development of strategic outsourcing and its future core competencies, firm structure, and competitive position is necessary to connect BPO, operational efficiency, and firm performance with the long-term company strategy. (Jane et. al., 2018).

An article says that there are some somewhat unfavourable effects of outsourcing on the performance of organisations as viewed by their staff. According to the findings of the research, outsourcing also influences how well performance is viewed because of its effect on job satisfaction. (Lee et. al., 2019). Another study sought to examine the relationships between perceived outsourcing risks and advantages and the adoption of outsourcing from the viewpoint of hoteliers. A list of 32 hotel activities was used to collect information from 123 hotels in Egypt. The findings showed that managers' perceptions of the advantages of outsourcing had indirect effects on the intended degree of outsourcing but direct positive effects on the level of outsourcing as it is now. Interesting results supported the idea that present outsourcing mediates the gap between the desired outsourcing and the benefits perceived by managers. The perceived dangers of outsourcing, however, had a negligible moderating impact. Both theory and practice may benefit from the findings. (Elhoushy et. al., 2020).

Conclusion

In conclusion, Business Process Outsourcing (BPO) has emerged as a transformative force in the business world, revolutionizing job creation and fueling economic growth on a global scale. By delegating non-core functions to external service providers, companies can concentrate on their core competencies, achieve operational efficiency, and reduce costs. This trend has particularly benefited developing nations, as they have harnessed their competitive labour costs and skilled workforce to attract foreign investment and establish BPO centres, generating a multitude of employment opportunities. The ripple effects of BPO outsourcing extend far beyond direct job creation, as the growth of BPO centres stimulates ancillary industries such as transportation, real estate, and technology. Investments in infrastructure, office spaces, and transportation networks are catalyzed, further enhancing economic growth, and generating additional employment prospects. Moreover, the BPO industry's reliance on technology has fostered advancements in the IT sector, creating a positive feedback loop of innovation and economic development.

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