Back-office services seen benefiting from EU-PHL free trade agreement

By Justine Irish D. Tabile
Reporter

A FREE trade agreement (FTA) between the Philippines and the European Union (EU) is expected to attract more European business for industries like information technology and business process management (IT-BPM) as well as financial and digital service providers, a business council official said.

Chris Humphrey, executive director of the EU-ASEAN Business Council (EU-ABC), told *BusinessWorld* that the Philippines currently enjoys a competitive advantage in its English-speaking population, which is deemed critical in IT-BPM services.

"I think you're extremely well placed in the Philippines to provide more back-end office solutions for companies. Whether it's call centers, data centers, or anything else in that vein, you have an excellent track record in this space," Mr. Humphrey said.

"More companies around the world are looking to outsource some of their back-end requirements and some solutions. And I think with this FTA in place, it will open up the services sector even further. Again, that will put you in an excellent position to take advantage," he added.

Aside from IT-BPM services, he said that the FTA could also attract EU companies to look into establishing a Philippine presence in financial and digital services.

"I think financial services are always attractive to the EU. And the Philippines being part of ASEAN means it's going to be a good place to do business for the rest of the region as well," Mr. Humphrey said.

He added that being part of the Regional Comprehensive Economic Partnership would also be attractive going forward.

"There is a lot of need, I think, in the digital economy space as well, for European businesses to want to come in and be attracted to using the Philippines as a springboard for the rest of the region," he said.

"The Philippines sits in a region with 650 million people and a growing digital economy — a really fast-paced growth in the digital economy — and that has to be attractive," he added.

Google, Temasek Holdings, and Bain & Co. projected the Philippine digital economy to grow to between $80 billion and $150 billion in gross merchandise value by 2030.

The EU and the Philippines announced the resumption of negotiations for an FTA in March. An FTA is expected to grow bilateral trade by 6 billion euros.

Last year, the Philippines saw a 17.4% increase in exports of services to $48.29 billion, which brought combined services and goods exports to $103.6 billion despite a 4.1% decline in the export of goods.

The Philippine Economic Zone Authority (PEZA) said that the IT-BPM industry accounts for 60%, or 1.1 million direct jobs generated within the economic zones (ecozones). In general, the sector also accounts for over 20% of gross domestic product.

"With IBPAP aiming to create a total of 2.5 million new jobs by the end of the Marcos administration in 2028, PEZA can commit at least 60%-70% of this 6-year target," PEZA Director General Tereso O. Panga said in a statement on Sunday.

"As long as the Philippines remains a competitive investment destination, we can continue to draw more foreign direct investment that will set up facilities in the ecozones to provide goods and services for the global market," he added.

PUVMP units unaffordable even with gov't loans — biz groups

THE modernized jeepneys on offer for the Public Utility Vehicle Modernization Program (PUVMP) are unaffordable even with the government providing financing for drivers, business groups said in a joint statement.

"It is evident that the principles of 'just transition' have not been upheld in the formulation, execution, and oversight of the PUVMP. Critically, jeepney operators and drivers were not consulted about the design of modern jeeps or alternative vehicles," they said in a statement.

"There has been no compensation for the surrender of their existing units. Furthermore, imported modern jeepneys, which range from P2.5 million to P3 million... are prohibitively expensive, making ownership unfeasible for many, even with amortization options," they added.

The business groups, led by the Philippine Chamber of Commerce and Industry, called for increased government support and a more realistic timetable to facilitate the transition.

"We call for an urgent review of the PUVMP in order to address its legal, financial, and human rights infirmities; a suspension of the deadline for consolidation for an indefinite period of time; and advocate for the creation of an affordable, sustainable, and carbon-neutral mass transport system," they said.

"The government must also back research and development efforts and provide subsidies to ensure that amortization terms for operators and drivers — including those who have already consolidated and fought for elements of just transition into the PUVMP — are affordable and potentially profitable," they added.

The statement was also signed by the Employers Confederation of the Philippines, the Federation of Free Workers, Sentro ng mga Nagkakaisa at Progresibong Manggagawa, the Philippine Exporters Confederation, Inc., and the Trade Union Congress of the Philippines. — **Justine Irish D. Tabile**

PAGCOR revenue up over 42% in first quarter

THE Philippine Amusement and Gaming Corp. (PAGCOR) said revenue was P25.24 billion in the first quarter, up 42.57% year on year.

In a statement on Sunday, PAGCOR Chairman and Chief Executive Officer Alejandro H. Tengco said: "The three months' (revenue) put the state gaming firm on track to generate P100 billion for the year, which would be a first in its 40-year history."

Net operating income after expenses rose 54.22% year on year to P18.99 billion.

Gaming operations raised P22.9 billion, accounting for the bulk of revenue during the quarter.

"Of this amount, 43.46% or P9.69 billion came from the e-games sector (eBingo, eGames and Bingo grantees) while licensed casinos (integrated resorts) brought in P8.04 billion (36.06%)," it said.

On the other hand, revenue from its Casino Filipino business stood at P3.7 billion or 16.62% of overall revenue. This was lower than the 20.68% share from a year earlier. — **Luisa Maria Jacinta C. Jocson**

Japanese firm touts ecozone power savings from solar microgrid technology

JAPANESE solar microgrid technology is projected to help economic zone (ecozone) locators save money on electricity, with the rollout ongoing in an ecozone in Pampanga and further expansion planned for Cavite.

Noriaki Sanada, president of Advantec Philippines, Inc., said that the company has rolled out the project in the Pampanga Economic Zone and is also planning to bring the solar microgrid to the Cavite Economic Zone.

Mr. Sanada estimated the potential savings on power costs at about P4.48 billion in Pampanga, with the potential to reduce electricity consumption by 335,578 kilowatts per hour (kWh), depending on how much space is usable on factory rooftops.

Last year, the Philippine Economic Zone Authority signed a memorandum of understanding with Advantec to conduct a feasibility study to determine the viability of the solar power technology operation in ecozones, including a study on the regulatory aspect of using microgrids in the zones.

Mr. Sanada said that the feasibility study found that the Pampanga Economic Zone hosted facilities with roof sizes of 300 square meters (sq.m.), 600 sq.m., and 1,200 sq.m.

"If we can use the full rooftop (in 300 sq.m. factories), we can generate about 27.84 kWh; for 600 sq.m., it is 83.56 kWh; and in the largest, we can generate 197.2 kWh," he told reporters last week.

He said that locators in the Pampanga Economic Zone currently source their electricity from Angeles Electrical Corp., which charges P12.21 per kWh.

"If Advantec can supply solar power at P5.5 per kWh, they could have a total bill saving of more than 37%," he said. — **Justine Irish D. Tabile**

OPINION

How shifting dynamics can help revitalize your workforce

IN BRIEF:

- *The EY 2023 Work Reimagined Survey, which sourced data from 17,050 employees and 1,575 employers across 25 sectors and more than 20 geographies, highlights key workforce trends that are defining the "next normal" in the workplace.*
- *Employers and employees have distinctly different perspectives on the "next normal" of work, resulting in differences between employer and employee priorities.*
- *Leaders navigating the way forward will see the Great Rebalance as an opportunity to re-energize their workforce strategy, making it technologically evolved yet inherently people-centric, agile, and resilient.*

SUITS THE C-SUITE
ROSSANA A. FAJARDO

Employees today are motivated by the desire for more comprehensive total rewards packages, improved well-being, and the necessary skills to thrive in a world that increasingly values work flexibility.

In the aftermath of the COVID-19 pandemic, the Philippine labor market has shown a remarkable recovery and transformation. Comparing data from Philippine Statistics Authority (PSA) Labor Force Surveys in April 2020 and February 2024, an increase in employment rates — from 82.4% to 96.5% — has been noted. This represents a substantial growth of 15.15 million in the workforce, showing a robust entry of the working-age population into active employment since the onslaught of the pandemic.

Amidst the broader economic rebound, one of the most striking differences that can be derived from the pre-pandemic and post-pandemic Labor Force Surveys is the reduction of average weekly work hours, from 43.2 hours in 2019 to 40.1 hours in 2024. It coincides with a strong economic recovery post-pandemic. According to the Philippine News Agency (PNA), the government's official news service, the economy continued to flourish after a sharp rebound to 5.6% GDP growth in 2021 from the 2020 downturn. According to the DoF, it achieved an unprecedented 7.6% growth in 2022, and last year, the country posted 5.6% growth, making it the fastest growing economy among its peers in the Association of Southeast Asian Nations (ASEAN).

This three-hour reduction might seem modest, but it serves as a microcosm of current global trends that have been magnified by the pandemic. These include the rapid adoption of remote work, increased flexibility, and a broader cultural shift towards the "Great Rebalancing" — a movement to recalibrate work policies and prioritize employee well-being and personalized work arrangements, often entailing shorter hours.

Today, employees are motivated by the desire for more comprehensive total rewards packages, improved well-being, and the necessary skills to thrive in a world that increasingly values work flexibility.

According to the EY 2023 Work Reimagined Survey, these trends are integral to the seismic shifts defining the "next normal" in work. This survey was conducted through an anonymous online poll involving 17,050 employees and 1,575 employers across 25 different sectors and more than 20 geographies, including the Americas, Asia-Pacific (including Southeast Asia (SEA) — Indonesia, Malaysia, the Philippines and Singapore), and EMEIA (Europe, the Middle East, India, and Africa).

The survey underscores distinct perspectives on work between employers and employees, particularly regarding the balance of power in the workplace. It highlights that while employers generally believe economic challenges will reduce employee turnover, as many as 34% of employees are considering changing jobs within this year. It also shows that as hybrid work evolves, it demands a deeper understanding of how technology, office infrastructure, and employee amenities impact productivity, organizational cohesion, and trust.

REBALANCING POWER DYNAMICS

Traditionally, employers held more influence and control in the workplace. However, perceptions have shifted since the pre-pandemic period, with fewer respondents now believing that employers maintain the upper hand.

Interpreting current market conditions from various perspectives can influence how employers and employees perceive each other. For example, the disparity in their views on financial pressures can create an imbalance in workplace power dynamics. This imbalance is evident in survey findings, where only 47% of employees believe their organization is facing growth or profit challenges, compared to 61% of employers.

RIGHTSIZING REWARDS, BOOSTING RETENTION RATES

To secure sought-after skills, organizations must develop talent from within or recruit new hires effectively. One way to do this is to ensure that compensation and career opportunities are competitive, both internally and externally. Both employees (80%) and employers (79%) surveyed also agree that "total rewards" programs need "moderate" to "extensive" changes. Total rewards encompass various factors like time off, recognition, well-being, and health and retirement benefits.

Organizations can improve their ability to attract and retain talent by developing offerings that enhance the employee value proposition (EVP) through market benchmarking and internal surveys. By restructuring total rewards programs to align with the broader objectives of the EVP, these initiatives can positively impact perceptions of change and transformation, innovative work methods, and leadership approaches.

FOSTERING A PEOPLE-FIRST CULTURE

A major action point is to define and cultivate a people-first culture — with humans at the center — and emphasizing trust. However, only 64% of employees surveyed agreed with the statement that employees feel trusted and empowered by their leaders compared with employers who agreed (81%), showing a 17-point gap.

Trust and empathy foster positive results, essential for effective leadership, team cohesion, and organizational success. These work values can be exemplified by transitioning from individual to collaborative thinking — a shift from a "me" mindset to a co-created "we" mindset. Meanwhile, transparency and tracking of behaviors, attitudes, and results from diverse data can help build trust. Understanding these metrics can enhance a sustainable collective mission, purpose, and culture.

ENHANCING THE WORKPLACE EXPERIENCE

Employers and employees hold divergent views on talent, culture, and leadership. Specifically, 76% of employers agreed that "Leadership cares about employees as people," compared to only 54% of employees. On the other hand, 59% of employees and 78% of employers agreed that "Employees have the ability to innovate and/or have time for unplanned collaboration."

These gaps underscore the need for an overall workplace environment aligned with employees' realities to foster a more engaging and supportive workspace, thereby boosting satisfaction, retention, and productivity.

REINVENTING WORK

In today's work landscape, flexibility in work arrangements is not just desired but expected, especially for knowledge-based roles, with more than a third of employees expressing a preference for full remote work. To adapt, organizations must pinpoint which roles can effectively function remotely and devise comprehensive strategies, leveraging appropriate technologies and refining processes to facilitate seamless transitions to hybrid work environments. This approach should encompass not only work operations but also learning initiatives and the nurturing of company culture.

Moreover, establishing guidelines for sourcing talent across regions can mitigate risk while maximizing the advantages of flexible work for both the organization and its mobile employees. While real estate may not directly impact employee satisfaction, the study shows that it does influence culture, productivity, and retention. Therefore, investing in well-designed spaces that foster social connections and collaboration can yield significant returns.

UPSCALING AI

Both employers and employees recognize the promise of Generative Artificial Intelligence (GenAI), which has recently entered mainstream technology discussions. One of the key advantages of this disruptive technology is its ability to generate initial drafts of work, which can then be reviewed and refined by human users.

In Southeast Asia, as high as 64% of employees and 86% of employers have a positive outlook on the potential of GenAI to enhance working flexibility. Despite this, only 25% are committed to offering training in GenAI-related skills.

In addition to acquiring new technical skills such as in GenAI, organizations must also evaluate employee soft skills such as critical thinking and resilience to ensure that their talent strategies align with business objectives, commitments to diversity, equity, and inclusion (DE&I), and fosters a culture of trust.

REDEFINING WORKFORCE DYNAMICS

Amidst the evolving work landscape and dynamics, companies are urged to equip their teams to handle uncertainty and to offer the necessary financial, physical, emotional, and social support to help them excel. More and more, fostering an environment where employees can thrive and better support organizational success is becoming an imperative.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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