The Business Case for Impact Sourcing in South Africa

September 26, 2016

Agenda

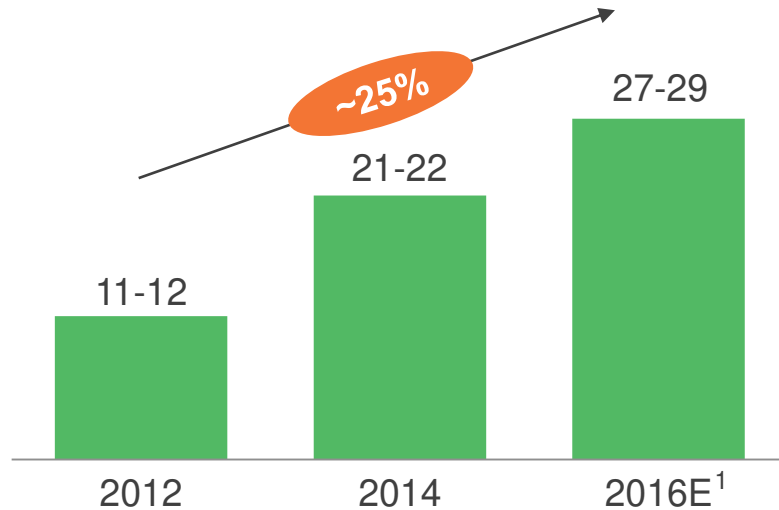**1** Overview of the South Africa offshore BPO market

2 Impact sourcing adoption in South Africa BPO market

3 Business case for impact sourcing in South Africa BPO

South Africa is an established location for offshore delivery of BPO services

South Africa offshore BPO services market size
2012-2016E[1]; Number of FTEs in '000s

| | X% | Compounded Annual Growth Rate |

- South Africa's offshore BPO market grew at ~25% CAGR in last 3-4 years

- Companies are leveraging South Africa to provide BPO services to multiple industry verticals, such as BFSI, telecom, retail, automotive, and technology

- While UK continues to be the leading buyer geography, share of Australia and US has been growing over last few years

Examples of Leading BPO service providers / GICs[2]

AEGIS · ASDA · blake · CAPITA · CORACALL · iCALL CENTRES · Lufthansa · merchants · serco · Shell · Teleperformance · vodafone · webhelp · WNS
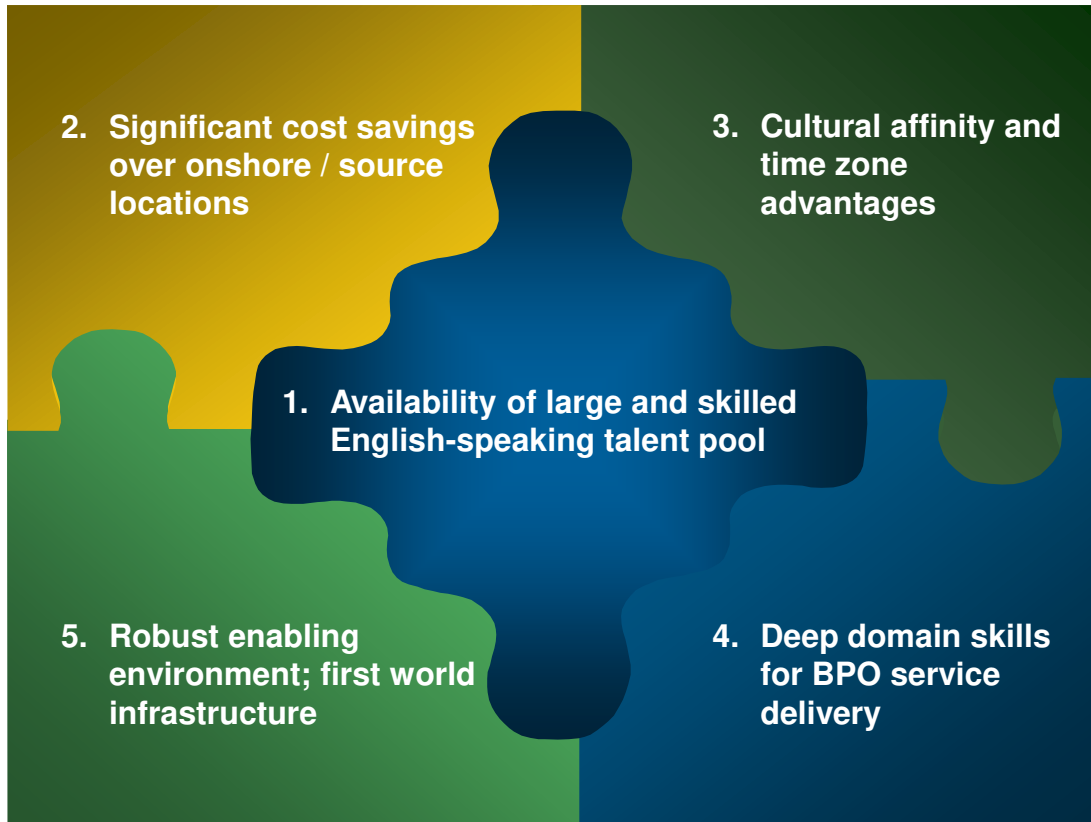
1   Estimate
2   GIC denotes Global In-house Centers; also referred as shared services or captive centers
Source: Everest Group (2016); Interview with market participants; BPeSA

There are multiple factors driving growth of the South Africa offshore BPO market

2. **Significant cost savings over onshore / source locations**

3. **Cultural affinity and time zone advantages**

1. **Availability of large and skilled English-speaking talent pool**

5. **Robust enabling environment; first world infrastructure**

4. **Deep domain skills for BPO service delivery**

Key changes to South Africa's attractiveness over last 2-3 years

- Enhanced credibility as a delivery location for offshore BPO services, especially contact center

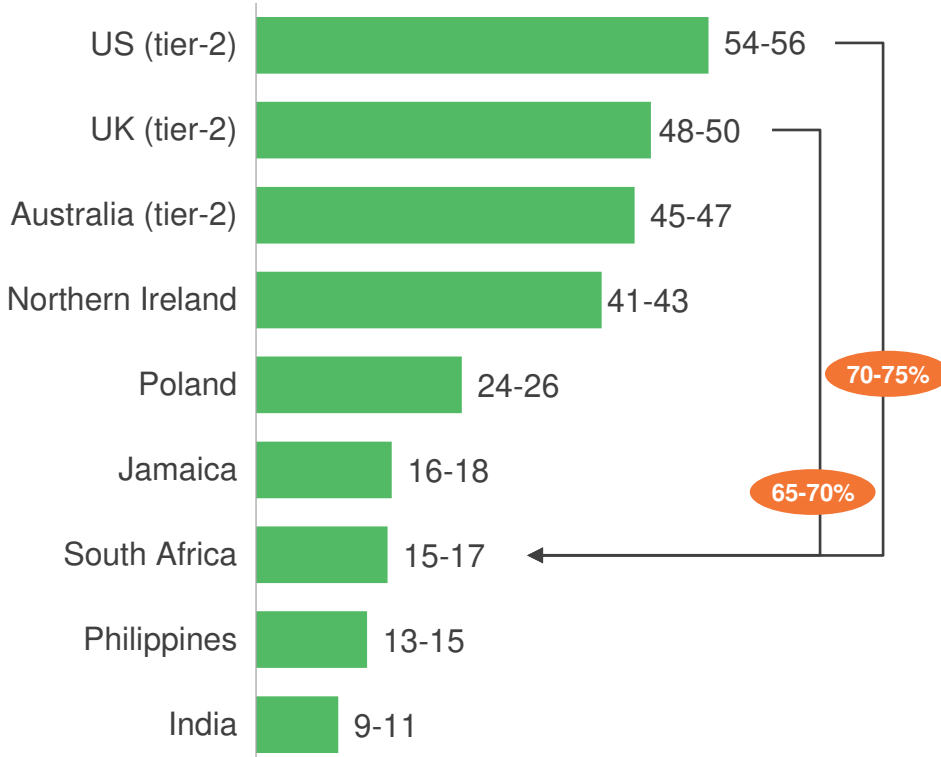- Increase in cost attractiveness, especially driven by depreciation of the Rand

- Improvement in quality of IT infrastructure and reduction in telecom costs

South Africa offers significant cost arbitrage and sizeable English-speaking talent for BPO services

Direct operating cost per FTE for English contact centre services[1,2]
2016; USD in '000s per annum per FTE

Location	Cost
US (tier-2)	54-56
UK (tier-2)	48-50
Australia (tier-2)	45-47
Northern Ireland	41-43
Poland	24-26
Jamaica	16-18
South Africa	15-17
Philippines	13-15
India	9-11

70-75%

65-70%

Annual supply of fresh talent for English language BPO
2016; Number in '000s

Location	Supply
India	5,000-7,000
Philippines	600-700
South Africa[3]	550-650
Poland	350-450
Ireland	100-120
Jamaica	50-60
Northern Ireland	30-40

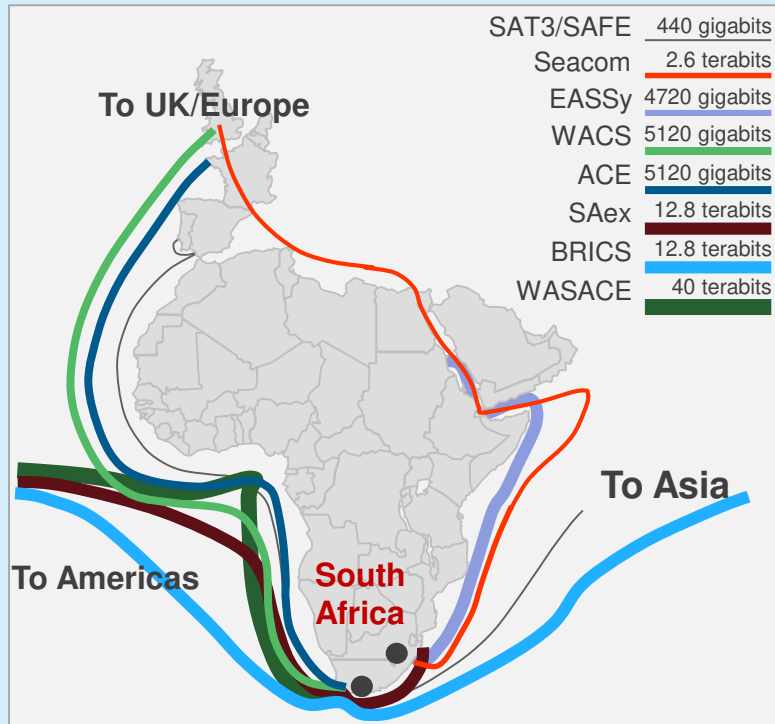**Strong cultural affinity with source geographies and English language skills**
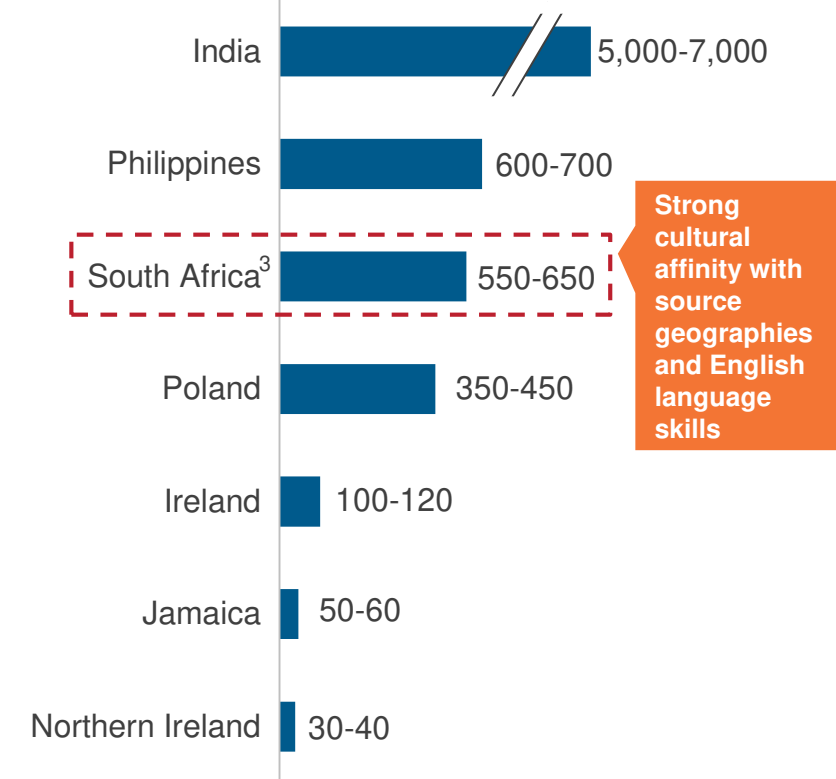
1   Represents fully loaded ongoing operating costs. Includes compensation, facility, technology, and administration costs associated with service delivery. Excludes sales, account management and corporate overheads. Includes effect of currency fluctuations over the last twelve months
2   Impact of incentives across locations has not been included in this assessment
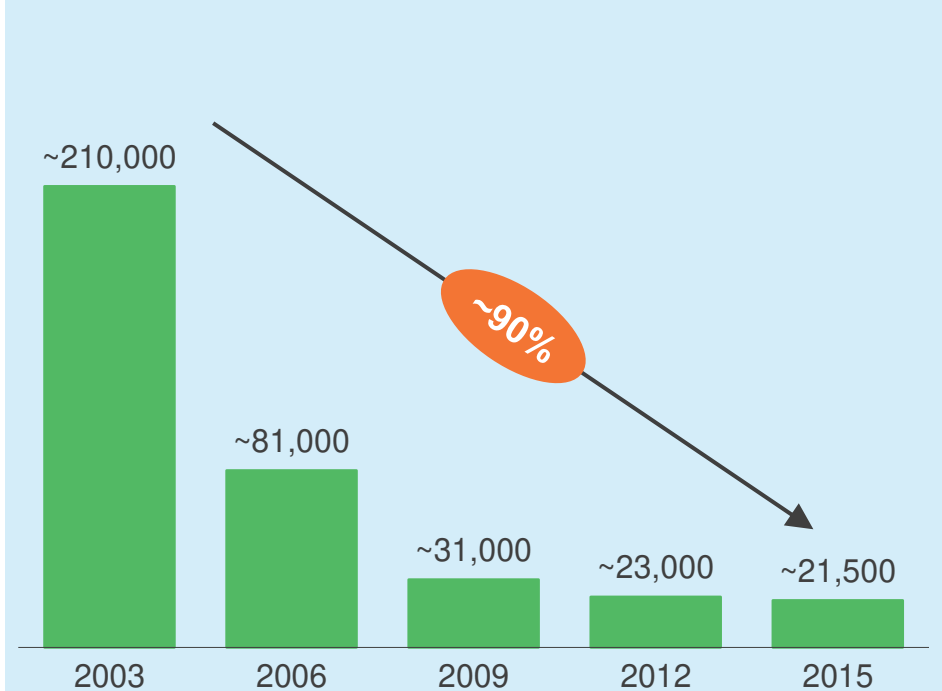3   Talent pool typically hired by BPO industry; includes high-school graduates
Source: Everest Group (2016); Government statistical websites; BPeSA

As telecom connectivity with leading global locations has improved, costs have reduced significantly

Undersea cables connecting South Africa

SAT3/SAFE	440 gigabits
Seacom	2.6 terabits
EASSy	4720 gigabits
WACS	5120 gigabits
ACE	5120 gigabits
SAex	12.8 terabits
BRICS	12.8 terabits
WASACE	40 terabits

To UK/Europe

To Asia

To Americas

South Africa

Annual Telecom rentals/license (2 Mbps E1)
USD[1] per annum

~90%

| 2003	2006	2009	2012	2015
~210,000	~81,000	~31,000	~23,000	~21,500

- More than 2x increase in number of undersea cables in South Africa since 2010 providing robust connectivity with all leading global locations (e.g., US, UK, Australia)
- Telecom costs declined by 17-18% YoY between 2003 and 2015, i.e., ~90% reduction in costs since 2003

Impact sourcing is an integral component of the BPO talent model in South Africa, for both domestic and offshore work

South Africa BPO market size
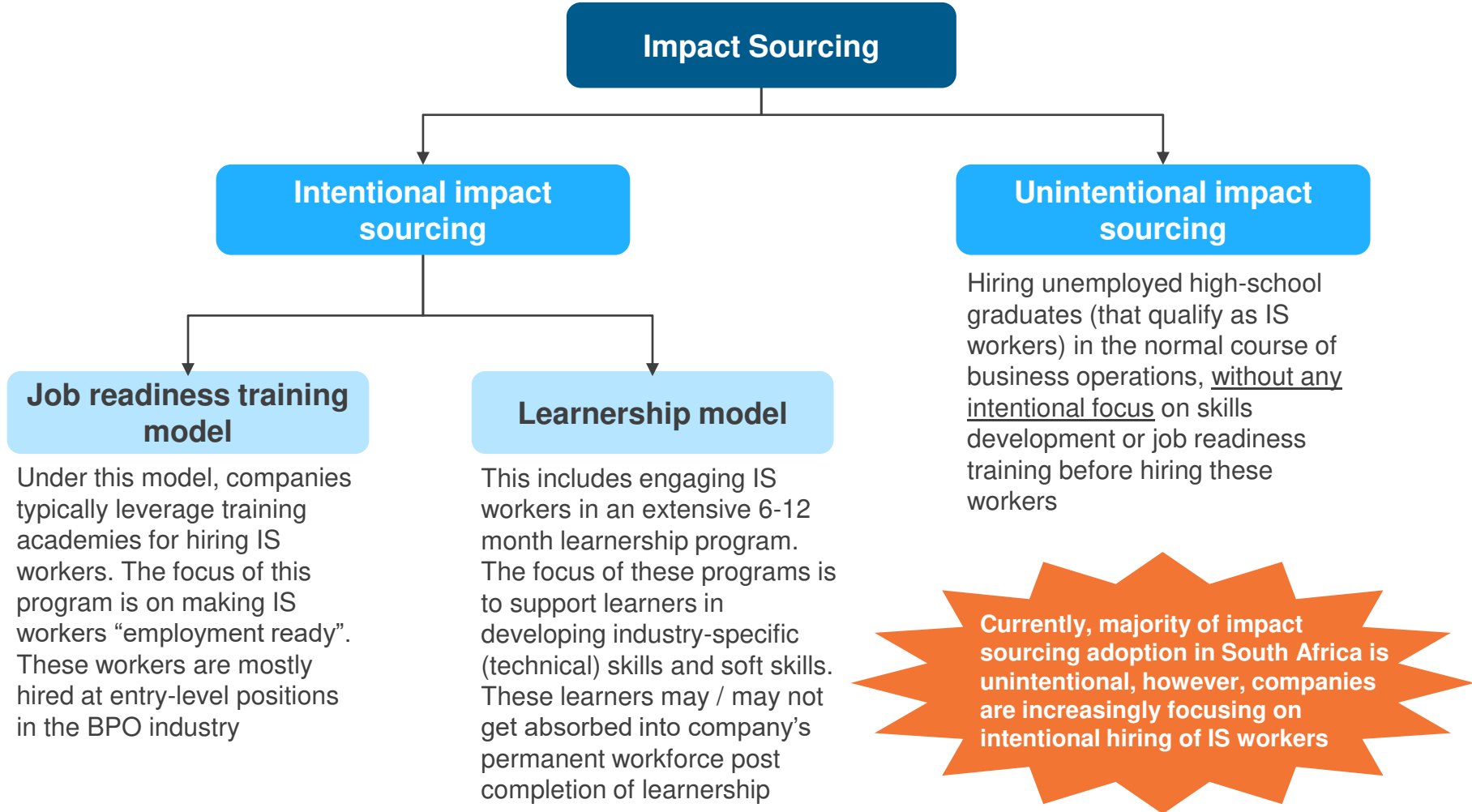2016; Number of FTEs

100% = 225,000-235,000

Domestic operations 85-90%

10-15% Offshore operations
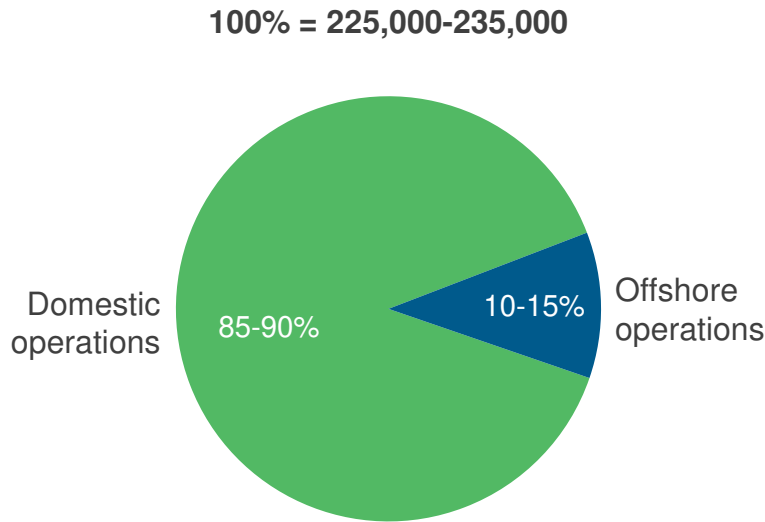
South Africa BPO market size – breakdown by talent sourcing model
2016; Number of FTEs

100,000-110,000 IS workers in South Africa

100% =	27,000-29,000	200,000-210,000	225,000-235,000
Impact sourcing	25-30%	50-55%	40-50%
Traditional sourcing	70-75%	45-50%	50-60%
	Offshore operations	Domestic operations	Overall BPO market
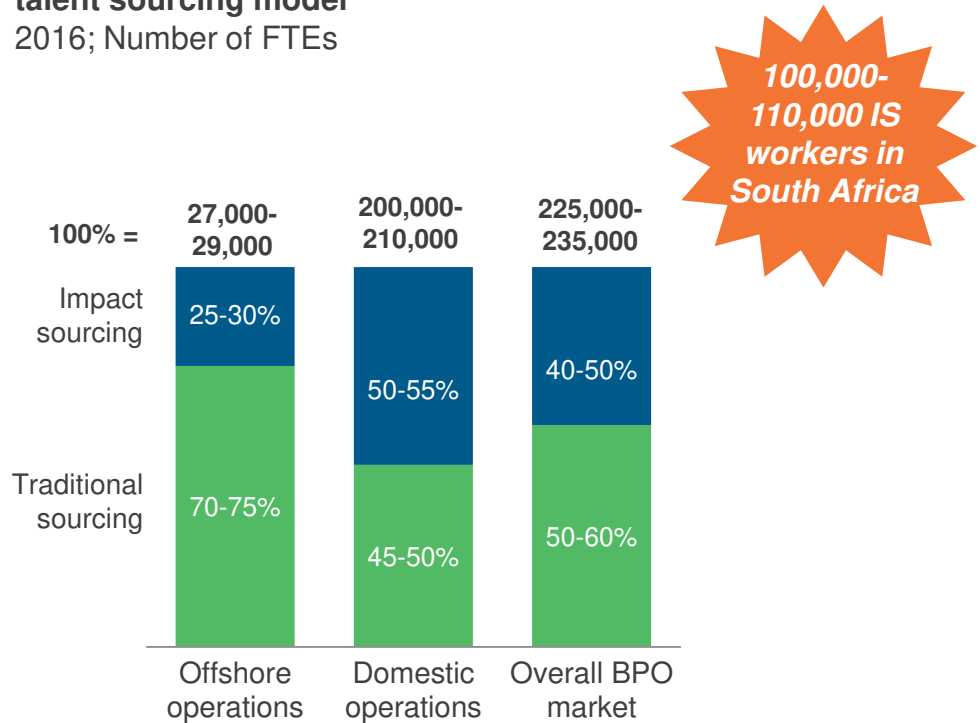
- The primary model for hiring entry-level BPO talent in South Africa includes hiring unemployed high-school graduates (who qualify as IS workers), especially in the contact center industry
- Companies in South Africa hire IS workers both for domestic and offshore BPO services

Everest Group | THE ROCKEFELLER FOUNDATION

Companies use multiple models for adopting impact sourcing in South Africa

Impact Sourcing

Intentional impact sourcing

Unintentional impact sourcing

Hiring unemployed high-school graduates (that qualify as IS workers) in the normal course of business operations, <u>without any intentional focus</u> on skills development or job readiness training before hiring these workers

Job readiness training model

Under this model, companies typically leverage training academies for hiring IS workers. The focus of this program is on making IS workers "employment ready". These workers are mostly hired at entry-level positions in the BPO industry

Learnership model

This includes engaging IS workers in an extensive 6-12 month learnership program. The focus of these programs is to support learners in developing industry-specific (technical) skills and soft skills. These learners may / may not get absorbed into company's permanent workforce post completion of learnership

Currently, majority of impact sourcing adoption in South Africa is unintentional, however, companies are increasingly focusing on intentional hiring of IS workers

Examples of companies that have adopted impact sourcing in South Africa

NOT EXHAUSTIVE

Enterprise buyers / Global In-house Centers (GICs)

Deloitte.

EOH

FNB — First National Bank

METROPOLITAN HEALTH GROUP

OLDMUTUAL

BPO service providers

accenture

AEGIS

CORACALL

GENPACT

Ci CALL CENTRES

Teleperformance

webhelp

WNS — Extending Your Enterprise

Most companies hiring IS workers have reported a positive experience

"The attitude (of IS workers) stands out…these students have shown that they have the foundation in terms of delivering value to the client and commit themselves when they come into the BPO environment."

– Global BPO client of a training academy

"Youth unemployment is a huge issue in South Africa. Via the work we do (with IS training academies), we hope to create substantial employment for youth and this will help create a more socially inclusive and cohesive environment."

– Leading global bank

"They [IS workers] really value the position [job] that we are giving them."

– Global BPO client of a training academy

"Additional BBBEE points are a bonus. They add to our credentials when targeting business in South Africa."

– Aegis

"The success of the impact sourcing program is dependent on the extensiveness of the training provided to prepare these workers. This model [impact sourcing] is difficult, but sustainable, and offers us several benefits at the end of the day."

– Leading South Africa-based bank

"Impact sourcing is a great response to the growth related talent challenges in South African BPO labor market. It helps expand the talent pool to support growth of industry. Not just that, we have recorded reduced attrition, high morale and work ethic, and comparable customer satisfaction from IS workers."

– Teleperformance RSA

"After these IS workers have been through the training programs with academies like Harambee and Maharishi Institute, it is difficult to distinguish between these workers and regular workers. Only thing that stands out is their positive behaviour and commitment towards the employer."

– Coracall

"We haven't seen any difference in learning curve for an IS worker and a traditional worker."

– WNS

"While we have to incur higher upfront costs on the job readiness training, we are able to recover the costs within 6-7 months after hiring IS workers. This is mainly due to lower attrition among IS workers"

– Webhelp

Source: Everest Group (2016); Interview with market participants

The business case for impact sourcing comprises six key elements

1 Facilitate access to a large, untapped talent pool

2 Performance comparable with regular/traditional workers

3 Stable workforce (i.e., low attrition, high motivation)

4 Cost savings compared to traditional workers

5 Competitive advantage for business in South Africa

6 Social impact (impact on IS workers, family, and community)
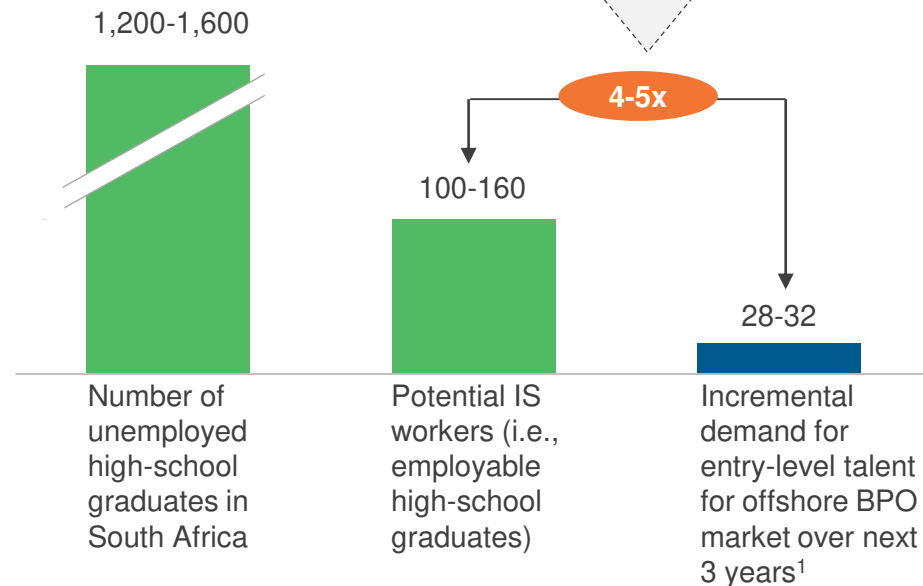
Business Case for Impact Sourcing

Impact sourcing helps companies access a large pool of under-utilized but high-potential talent

Estimated demand for offshore BPO FTEs over next three years vs. potential supply of IS workers
2016; Number in '000

> *Assuming an employability rate of 8-10%, impact sourcing can help companies access alternative talent pool of high school graduates (IS workers), which is 4-5x of estimated demand for offshore BPO services*

1,200-1,600

4-5x

100-160

28-32

| Number of unemployed high-school graduates in South Africa | Potential IS workers (i.e., employable high-school graduates) | Incremental demand for entry-level talent for offshore BPO market over next 3 years[1] |

- South Africa BPO market grew at ~25% CAGR over 2012-2016. There are instances where companies experienced an increase in people cost and attrition rates owing to new set-ups / rapid expansion by peers

- There is a need to increase inflow of fresh talent into the BPO market to ensure sustainable growth

- Impact sourcing helps address these concerns by providing access to a large pool of currently unemployed, but trainable high-school graduates, suitable for BPO work

1   Reflects incremental demand assuming similar growth rate (as last 3-4 years); also accounts for attrition outside of the industry

Source: Everest Group (2016); Government statistical websites

Companies are using impact sourcing to augment traditional sources of hiring entry-level talent

Case example: Aegis' learnership program

Aegis' learnership program has helped it build a sustainable pipeline of entry-level talent, which complements their traditional hiring model

- The company operates three BPO services centers in South Africa, located at Johannesburg, Durban, and Port Elizabeth

- About 40-50% of learners in the company's ongoing learnership program, which comprises ~400 learners, are IS workers

- Driven by positive experience of working with these learners, the company offers employment to more than 90% of learners after they complete the learnership program. This helps the company meet incremental demand and backfill for attrition

- Over last few years, impact sourcing has become an integral component of the talent sourcing and training model

Experience of other companies that are hiring IS workers:

"There are a large number of unemployed youth out there, who have the potential to deliver but do not get the opportunity. There is a need to bring these people into the system. Impact sourcing is a win-win solution, they need jobs and we need more talent."

– WNS

"The contact center market is growing fast and we need to ensure sufficient inflow of fresh talent to avoid market from heating up. Recruiting from each other [peers] doesn't help. It increases attrition and costs. Impact sourcing is a good alternative."

– Aegis

"On one hand, companies are looking for talent to hire. On the other hand, youth unemployment is a major issue in South Africa. These [IS workers] are capable individuals who can be successfully employed in the BPO sector, there is sufficient evidence to support that. Impact sourcing is the bridge that links the two."
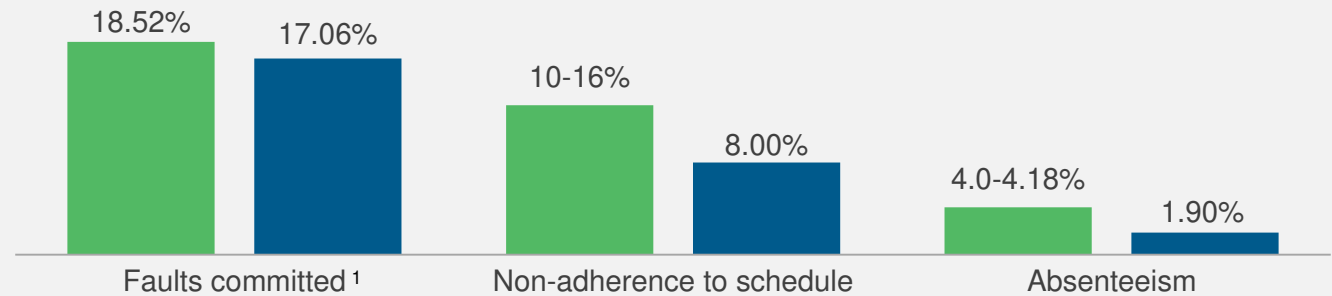
– Teleperformance RSA

Source: Everest Group (2016); Interview with market participants

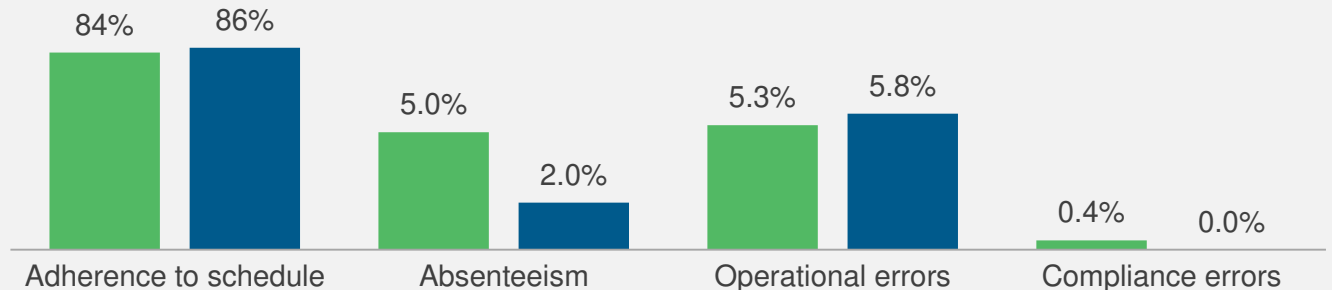# Performance of IS workers is comparable to traditional workers

Legend: ■ Traditional workers ■ IS Workers

Case example of a leading South Africa-based bank

Comparison of performance of IS workers and traditional workers
2015; Percentage

Category	Traditional workers	IS Workers
Faults committed [1]	18.52%	17.06%
Non-adherence to schedule	10-16%	8.00%
Absenteeism	4.0-4.18%	1.90%

Case example of a training academy

Comparison of performance of IS workers and traditional workers
2015; Percentage

Category	Traditional workers	IS Workers
Adherence to schedule	84%	86%
Absenteeism	5.0%	2.0%
Operational errors	5.3%	5.8%
Compliance errors	0.4%	0.0%

1   The graph illustrates the percentage of faults (i.e., total percentage of faults in QA process, compliance, and operational faults) committed by a groups of traditional workers and IS workers recruited in similar period

Source: Everest Group (2016); Interview with market participants

Everest Group | THE ROCKEFELLER FOUNDATION
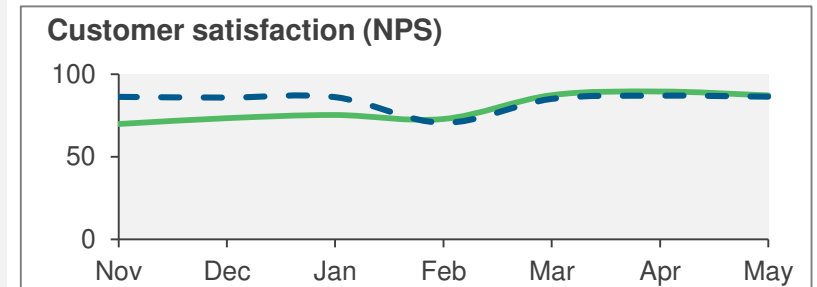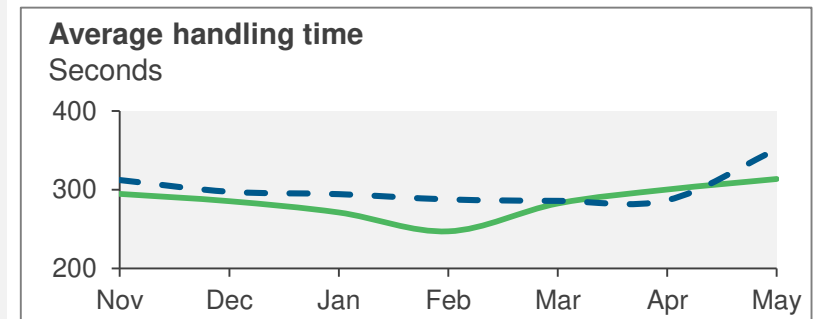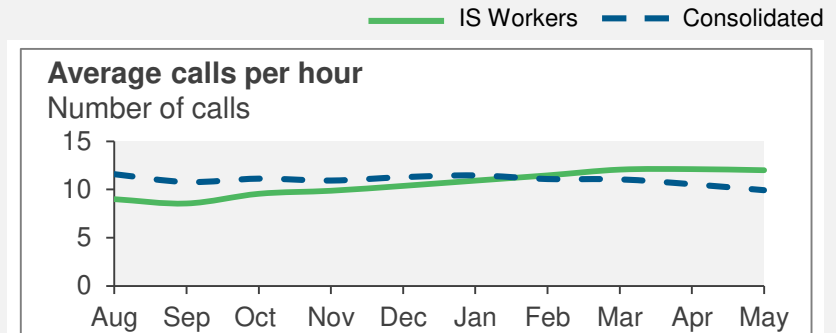
IS workers have a track record of meeting target KPIs
Case example | Teleperformance

Building on the success of impact sourcing for domestic BPO, Teleperformance is gearing up to engage IS workers for its international (offshore) operations

- Teleperformance started hiring IS workers in 2013-2014, primarily for domestic delivery. The company tracked performance of these IS workers and the results from the first batch *(refer charts on the right)* show that their performance was similar to that of regular workers

- Since then, the company has hired multiple batches of IS workers and found their performance to be consistently comparable to regular workers

- Encouraged by this positive experience, the company is currently working with a training academy to train and hire IS workers specifically for its international BPO operations

- The training program for international BPO operations includes additional training on call center simulation process, modules such as 'Psychology of Customer Connection', and socialization to the country being serviced, in addition to the standard curriculum

"Our experience of hiring IS workers for domestic delivery in South Africa has been extremely positive and we believe that IS workers are ready to take up international roles now. We believe they have the required skills."

IS Workers — — Consolidated

Average calls per hour
Number of calls

Average handling time
Seconds
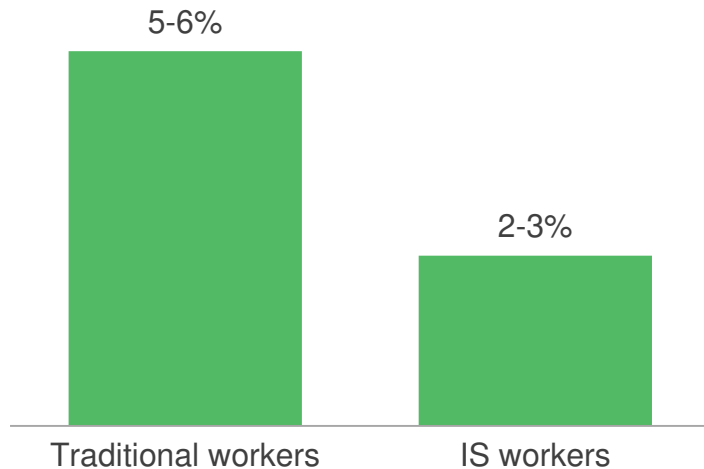

Customer satisfaction (NPS)

Source: Everest Group (2016); Interview with market participants, Teleperformance RSA

Attrition among IS workers is significantly lower than traditional workers

Average monthly attrition rate for entry-level talent (less than 1 year experience)[1]
2016; Percentage

5-6%

2-3%

Traditional workers

IS workers

Reflects attrition for entry-level talent; overall average attrition (blended across delivery pyramid) is lower. Some companies have experienced significantly lower attrition as compared to market average

Drivers for lower attrition among IS workers

Skills and cultural readiness aspects are better aligned with job/employer requirements, especially when hiring via training academies

Emotional bond for employers, as these are typically first-time jobs for IS workers

BPO is a preferred career option for IS workers compared to alternative opportunities

"We recorded almost zero percent absenteeism and zero attrition among IS workers. All IS workers we hired (intentionally) are still with us. This is extraordinary."

– Webhelp

"We have observed up to 4x difference in attrition among IS workers and regular workers. A regular employee normally leaves after ~3 months, whereas an IS worker typically stays with us for ~12 months."

– Coracall

1 Based on data collected from 15+ companies operating in South Africa
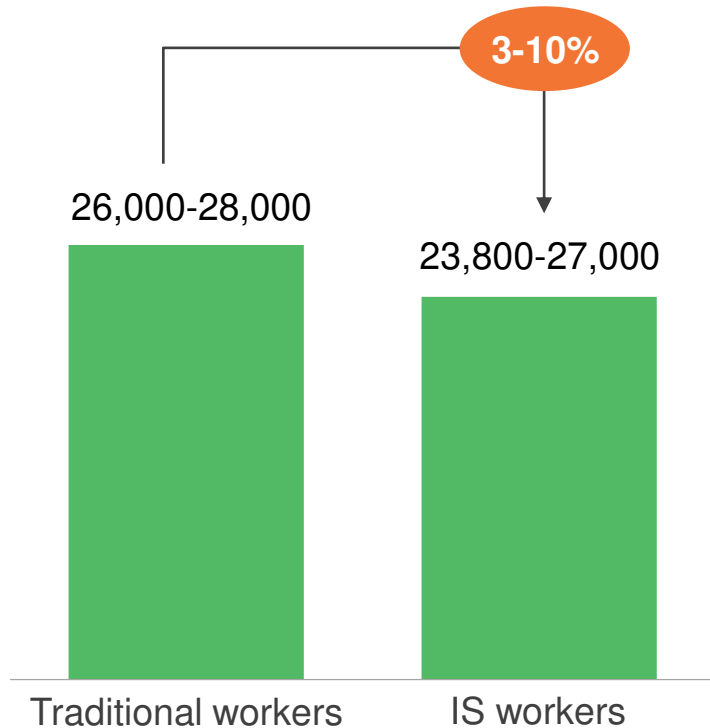Source: Everest Group (2016); Interview with market participants

The Total Cost of Ownership (TCO) for IS workers is 3-10% lower as compared to traditional workers

Total cost of ownership for entry-level agents over a 3 year period[1,2]
2016; USD per FTE

⬤ Cost savings over traditional model

CONTACT CENTER SERVICES

3-10%

26,000-28,000

23,800-27,000

Traditional workers   IS workers

- Companies can further reduce costs by applying for incentives or grants under SETA and/or Monyetla Work Readiness Programme

- Potential benefits of these incentives are not included in the TCO savings shown

1   Total cost of ownership for entry-level agents over a period of three years; including cost of hiring, training, administration, salary and benefits, and attrition
2   This is aggregated view for cost savings across two different models of IS adoption. Please refer to page 28-30 for IS adoption model specific assessment
Source: Everest Group (2016); Interview with market participants

While upfront costs for hiring IS workers are higher, attrition costs are lower, resulting in overall TCO savings
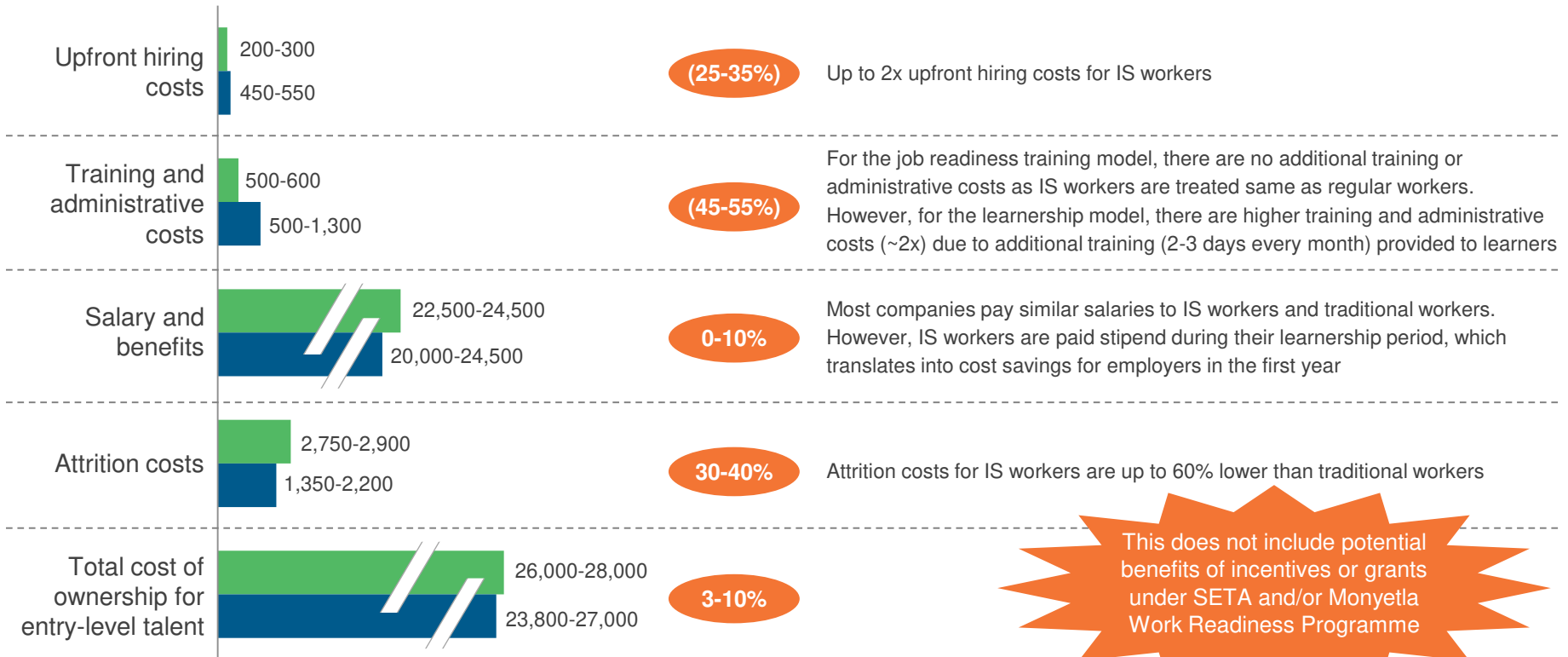
4

Total cost of ownership for entry-level agents over a 3 year period[1,2]
2016; USD per FTE

Cost savings over traditional model

| | Traditional Workers | IS Workers |

CONTACT CENTER SERVICES

Category	Traditional	IS	Savings	Note
Upfront hiring costs	200-300	450-550	(25-35%)	Up to 2x upfront hiring costs for IS workers
Training and administrative costs	500-600	500-1,300	(45-55%)	For the job readiness training model, there are no additional training or administrative costs as IS workers are treated same as regular workers. However, for the learnership model, there are higher training and administrative costs (~2x) due to additional training (2-3 days every month) provided to learners
Salary and benefits	22,500-24,500	20,000-24,500	0-10%	Most companies pay similar salaries to IS workers and traditional workers. However, IS workers are paid stipend during their learnership period, which translates into cost savings for employers in the first year
Attrition costs	2,750-2,900	1,350-2,200	30-40%	Attrition costs for IS workers are up to 60% lower than traditional workers
Total cost of ownership for entry-level talent	26,000-28,000	23,800-27,000	3-10%	

This does not include potential benefits of incentives or grants under SETA and/or Monyetla Work Readiness Programme

1 Total cost of ownership for entry-level agents over a period of three years; including cost of hiring, training, administration, salary and benefits, and attrition
2 This is aggregated view for cost savings across two different models of IS adoption. Please refer to page 28-30 for IS adoption model specific assessment
Source: Everest Group (2016); Interview with market participants

Impact sourcing also provides a competitive advantage to companies in South Africa

Improve BBBEE score

- Impact sourcing helps companies comply with guidelines of the Broad-Based Black Economic Empowerment (BBBEE) Act. (e.g., by increase in spend on skill development initiatives and providing employment to disadvantaged individuals)

- Impact sourcing also helps companies in improving their BBBEE score. For example, a company can gain additional points on its BBBEE scorecard by meeting required criteria for hiring IS workers and spend on job readiness training or learnership programs

Improve market positioning

- Most companies have experienced improvement in their positioning in the talent market as being a socially responsible employer

- In addition, some companies have reported impact sourcing initiatives to create a positive impact on client relationships due to improved market visibility

These factors provide a direct competitive advantage in business development and procurement procedures in South Africa

"Additional BBBEE points are a bonus. They add to our credentials when trying to get more business in South Africa."

– *Aegis*

Source: Everest Group (2016); Interview with market participants

Impact sourcing helps companies in contributing towards socio-economic development

Social benefits of impact sourcing

A Benefits to IS workers

- First time job opportunities in formal economic sector (BPO)
- Significant increase in earning potential for IS workers
- Higher level of confidence in ability to handle workplace responsibilities
- Better equipped to manage financial and other family issues

B Benefits to family and related individuals

- 5-6 family members or related individuals benefit from every IS worker hired
- Increase in spend on family and household requirements
- Higher investment in child health and education
- Improvement in family relationships owing to stable employment

C Benefits to community/economy
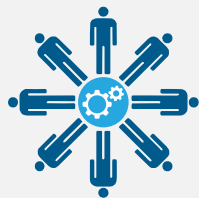
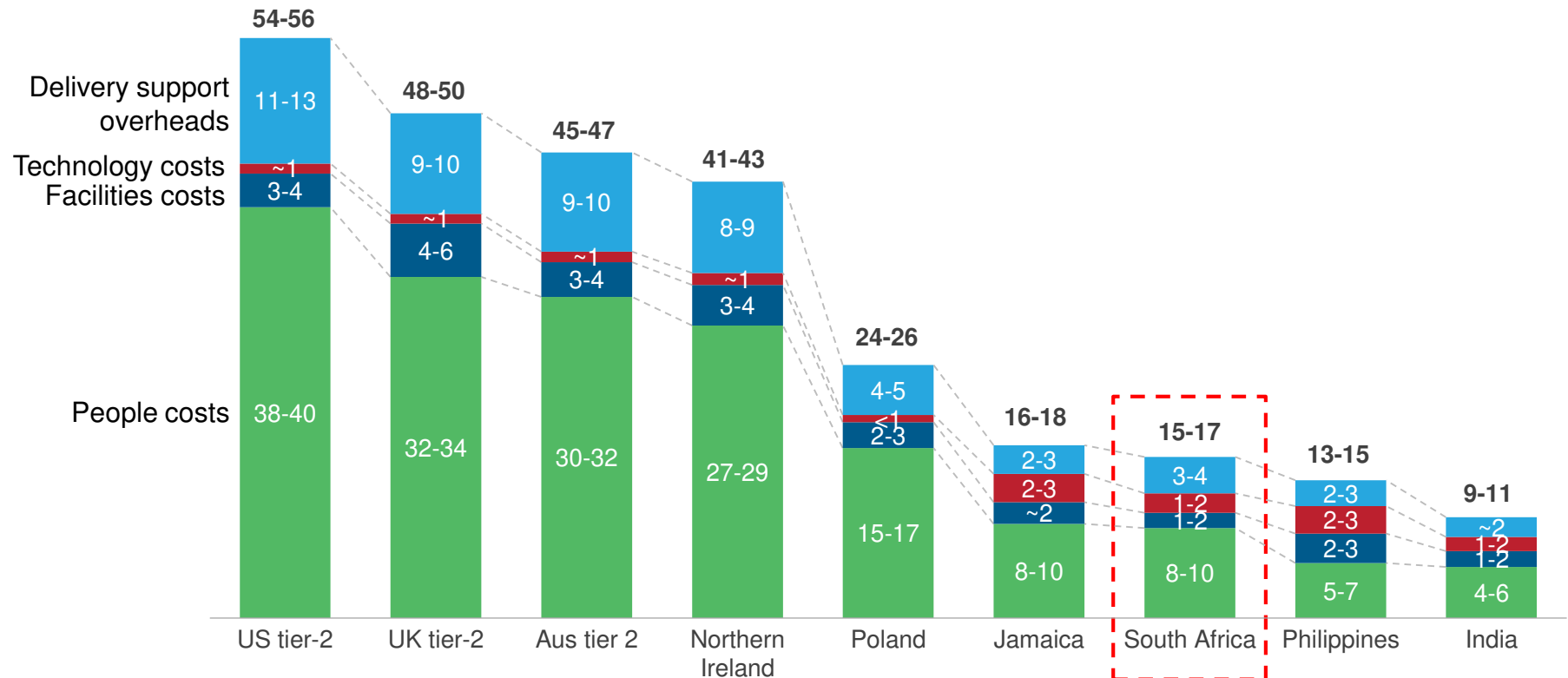- 3.5-4.0x impact on economy as compared to direct income of IS workers
- Increase in discretionary spending by IS workers resulting in injection of new capital into local economy
- Reduction in unemployment rate due to improved employability of IS workers
- Increase in spend on community development

Source: Everest Group (2016); The Rockefeller Foundation – EOH work readiness initiative report

Appendix

Additional details on substantiation of business case for impact sourcing in South Africa

Comparison of operating cost breakdown

Breakdown of direct operating cost[1,2] per FTE per annum
2016; USD '000s per FTE per annum

Location	US tier-2	UK tier-2	Aus tier 2	Northern Ireland	Poland	Jamaica	South Africa	Philippines	India
Total	54-56	48-50	45-47	41-43	24-26	16-18	15-17	13-15	9-11
Delivery support overheads	11-13	9-10	9-10	8-9	4-5	2-3	3-4	2-3	~2
Technology costs	~1	~1	~1	~1	<1	2-3	1-2	2-3	1-2
Facilities costs	3-4	4-6	3-4	3-4	2-3	~2	1-2	2-3	1-2
People costs	38-40	32-34	30-32	27-29	15-17	8-10	8-10	5-7	4-6

1   Represents ongoing operating costs excluding sales, account management and corporate overheads. Includes compensation, facility, technology, and administration costs associated with service delivery
2   The data represents the following locations: Manchester, UK; Salt Lake City, US; Adelaide, Australia; Belfast, Northern Ireland; Krakow, Poland; Kingston, Jamaica; Cape Town, South Africa; Metro Manila, Philippines; and Bangalore, India

Source: Everest Group (2016)

Global companies have a positive outlook about the growth of South Africa BPO market

"We are present in multiple locations in South Africa and planning to grow further. The costs of operation in South Africa are comparable to other offshore locations, except India."

– Aegis

"We are revamping our South Africa strategy. We are going to focus a lot more on international markets from our South African operations."

– Teleperformance RSA

"There has been significant growth [in South Africa BPO market] in last 3-4 years. While UK is the leading geography being served from South Africa, other locations like Australia and US are growing at a rapid pace."

– Global BPO services provider

"South Africa is our key location for serving entire Africa. We deliver BPO services to a number of other African locations from here."

– Leading South Africa based provider of collections services

"We have not faced any infrastructure related issues in South Africa. The quality of IT services is great and telecom costs have reduced over last few years."
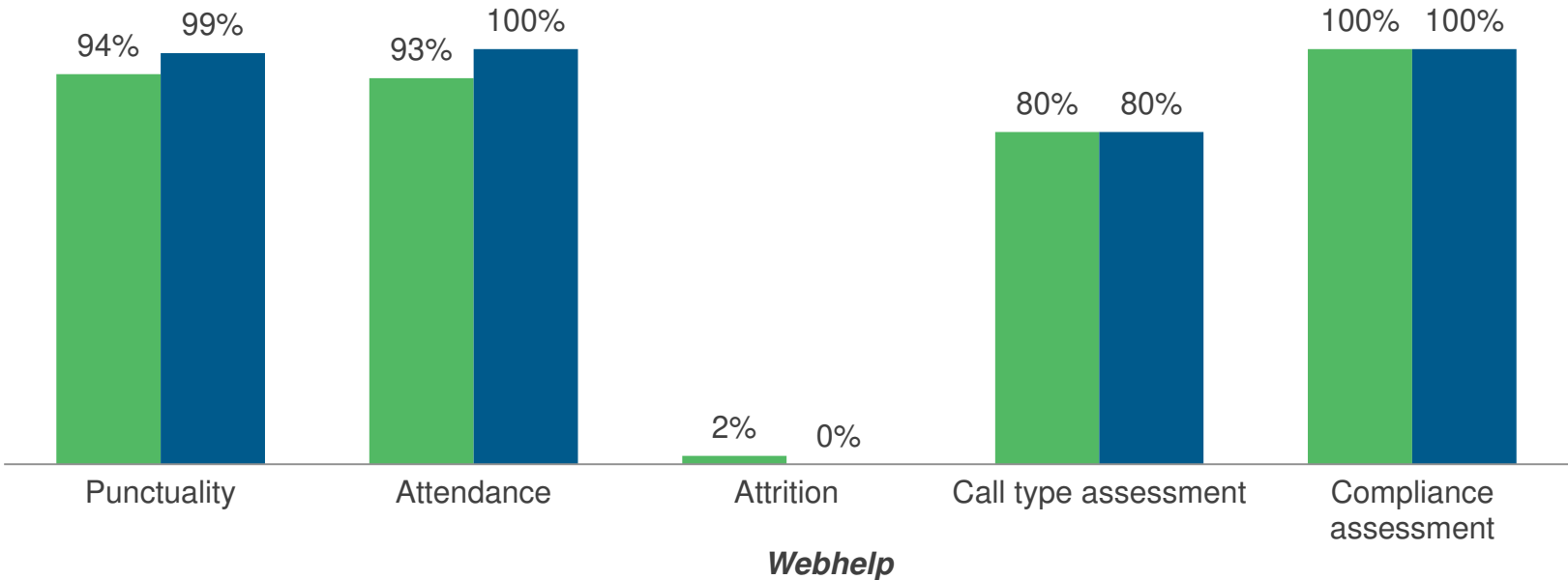
– Coracall

Source: Everest Group (2016); Inputs from market participants

Comparison of performance of IS workers with site average in training period
2016; Percentage

■ Site average[1] ■ IS workers

	Punctuality	Attendance	Attrition	Call type assessment	Compliance assessment
Site average	94%	93%	2%	80%	100%
IS workers	99%	100%	0%	80%	100%

Webhelp

"The speed to competence for IS workers is at par with our regular workforce. This is very encouraging."

"Overall as a business, we are delighted with the pilot group and strongly propose to continue this route of sourcing candidates"

Even companies that do not measure performance of IS workers have reported positive experience

"They [IS workers] look at things differently. They have a positive approach and they never say no…one of our managers actually said that these [IS workers] were the best resources we have hired in a long time."

– Global BPO client of a training academy

"In our experience, with right kind of training, the IS workers have potential to perform any task that a regular worker can. We use IS workers for a variety of campaigns within our contact center operations."

– Coracall

"There is no difference in the work being delivered by IS workers and traditional workers. We haven't seen any performance concerns at all."

– Leading South Africa based provider of collections services

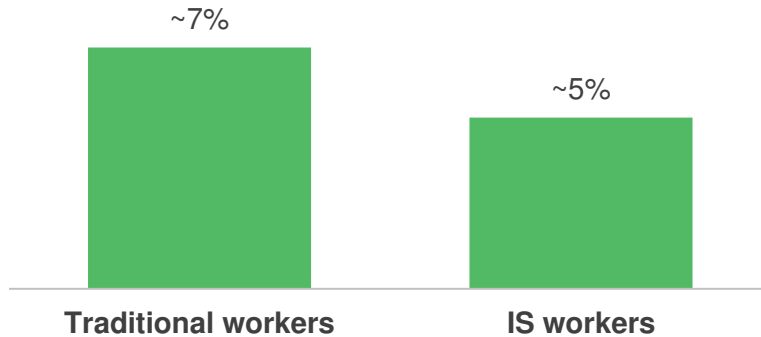"Time taken to achieve minimum productivity level is similar for IS and traditional workers."

– Aegis

Source: Everest Group (2016); Interview with market participants

There are multiple examples of companies experiencing lower attrition among IS workers
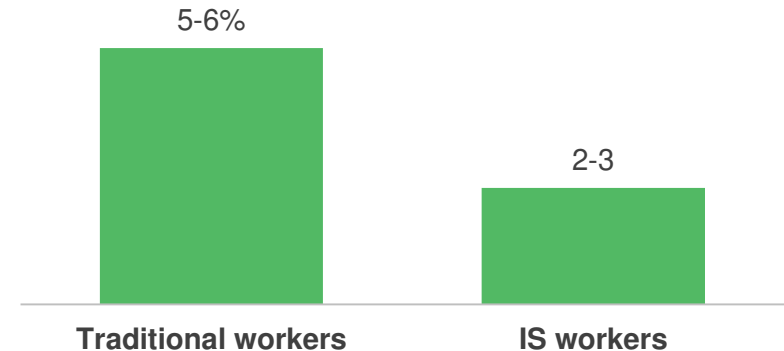
Average monthly attrition rate
January-March 2016; Percentage

~7%

~5%

Traditional workers   IS workers

Leading South Africa based provider of collections services[1]

Average monthly attrition rate
2015; Percentage

5-6%

2-3

Traditional workers   IS workers

Leading South Africa-based Bank

"We typically use IS workers for selective functions as for other functions (business units), we need employees with prior work experience. Among these two groups, there is a significant difference in attrition. It's much less among IS workers."
– Leading South Africa based provider of collections services

"IS workers have helped bring about a positive change in the overall culture of the organization. They take their jobs very seriously and their enthusiasm is unmatched. Plus they stay longer with us, in fact they hardly ever leave. Combine all this and you get benefits from improvement in work culture that you can't measure."
– Leading South Africa-based bank

1   Based on comparison of business units primarily employing IS workers vs. units that employ traditional workers (i.e., workers with prior work experience)
Source: Everest Group (2016); Interview with market participants

There are multiple instances of impact workers growing within the organization to take up senior / managerial positions

"A lot of IS workers who joined the company many years back are still working with us. In fact, many of them have moved up to team lead and QA roles. This clearly shows that these people (IS workers) have potential to grow within an organization and take up supervisory/managerial roles as well. We are thrilled by our overall experience with IS workers and exploring ways to have a formal learnership program to engage IS workers."

– Leading South Africa based provider of collections services

"We have been hiring IS workers for a long time now and they have stuck around and grown with us. Today, many of them are leading their own teams and managing campaigns for our clients. In fact, many of them have also been a part of our internal programs to accelerate career growth of high-potential employees. We haven't noticed any shortcomings/challenges specific to IS workers."

– Coracall

Source: Everest Group (2016); Interview with market participants

Everest Group | THE ROCKEFELLER FOUNDATION

Job readiness training and the learnership model are the two most prominent models for intentional hiring of IS workers

Characteristics	Job readiness training model	Learnership model
Overview	• This program provides a bridging program or a job readiness training (up to 8 weeks) to IS workers before the they are absorbed into the employer organizations • The aim of the program is to make IS workers "employment ready"	• Under this arrangement, the employers engage IS workers as 'learners' for a period of 6-12 months with a focus on imparting technical and job-readiness skills • This model aligns with the learnership programs of the Sector Education and Training Authority (SETA) established under the Skills Development Act by government of South Africa
Details of training program	• This program focuses on both hard skills (e.g., computer literacy, language skills), and soft skills (e.g., communication, behaviour) • It also includes coaching around life skills, such as adapting to a corporate environment, stress management, and benefits of stable employment	• During learnership period, IS workers (learners) work at entry-level positions with the employer • The program helps learners develop industry-specific skills, in addition the soft skills • Post completion of the learnership (typically 6-12 months), the employers can choose to hire these learners as permanent employees
Variations in adoption models	• Typically companies engage training academies for hiring and training of IS workers • Some companies have recruited IS workers directly and engaged the training academy to provide job readiness training	• While some companies have engaged training academies, others have set-up internal learnership programs • There are instances of companies hiring IS workers from job readiness training programs and then engaging them into learnerships

Drivers for variation of costs for traditional and IS workers during over a three years period

Total cost of ownership for entry-level agents

	Sourcing cost	Training and administrative costs	Salary and benefits for entry level workers	Attrition costs
Cost included in assessment	• Upfront costs incurred to recruit / source a regular/IS worker	• Induction and training cost • Time taken to reach productive level • Cost of administering impact sourcing program	• Salaries and benefits paid to normal/IS workers during first 3 years of employment	• Additional costs for hiring and training to backfill for attrition • Salary (during training period) of employees hired to backfill attrition
Description and drivers of difference between traditional and impact sourcing	• Traditional employees are sourced directly or through recruitment agencies • IS workers are typically sourced through specialist training and hiring agencies (e.g., Harambee, Impact Sourcing Academy)	• Induction, initial training, and ongoing training programs are identical for regular and IS workers • However, during learnership, learners undergo additional 2-3 day training each month • Companies have to incur additional administrative costs, especially for management of learnership programs	• Typically, companies pay similar salaries to traditional and IS workers • However, during the learnership period, the learners are paid a stipend, which is lower than salary paid to traditional workers – Post learnership, there is no difference in salaries for IS and traditional workers	• Lower attrition costs for impact sourcing driven by significantly lower attrition among IS workers

Companies can further lower costs by applying for incentives/grants under SETA and/or Monyetla programs. Potential benefits of these incentives will be in addition to the TCO savings shown in this assessment

Cost savings offered by impact sourcing
Job readiness training model

Total cost of ownership for entry-level agents over a 3 year period[1,2]
2016; USD '000s per FTE

Legend: Cost savings over traditional model (orange) | Traditional Workers (green) | Job readiness training model (dark blue)

JOB READINESS PROGRAM — **CONTACT CENTER SERVICES**

Category	Traditional Workers	Job readiness training model	Cost savings	Notes
Upfront hiring costs	200-300	450-550	(50-100%)	Up to 2x upfront hiring costs for hiring IS workers
Training and administrative costs	500-600	500-600	0%	Training and administrative costs are comparable for traditional and IS workers as they go through similar training and induction program
Salary and benefits	22,500-24,500	22,500-24,500	0%	IS workers employed through this model are paid similar salaries as regular workers
Attrition costs	2,750-2,900	1,350-1,800	40-60%	Significant reduction in cost of hiring and training for backfilling positions owing to ~50% lower attrition among IS workers
Total cost of ownership for entry-level talent	26,000-28,000	25,000-27,000	3-5%	Lower TCO for impact sourcing. Companies can further lower costs by applying for incentives/grants under SETA and/or Monyetla programs. Potential benefits of these incentives will be in addition to the TCO savings shown in this assessment

1   Total cost of ownership for entry-level agents over a period of three years; including cost of hiring, training, administration, salary and benefits, and attrition
2   Companies can further lower costs by applying for incentives/grants under SETA and/or Monyetla programs. Potential benefits of these incentives will be in addition to the TCO savings shown in this assessment
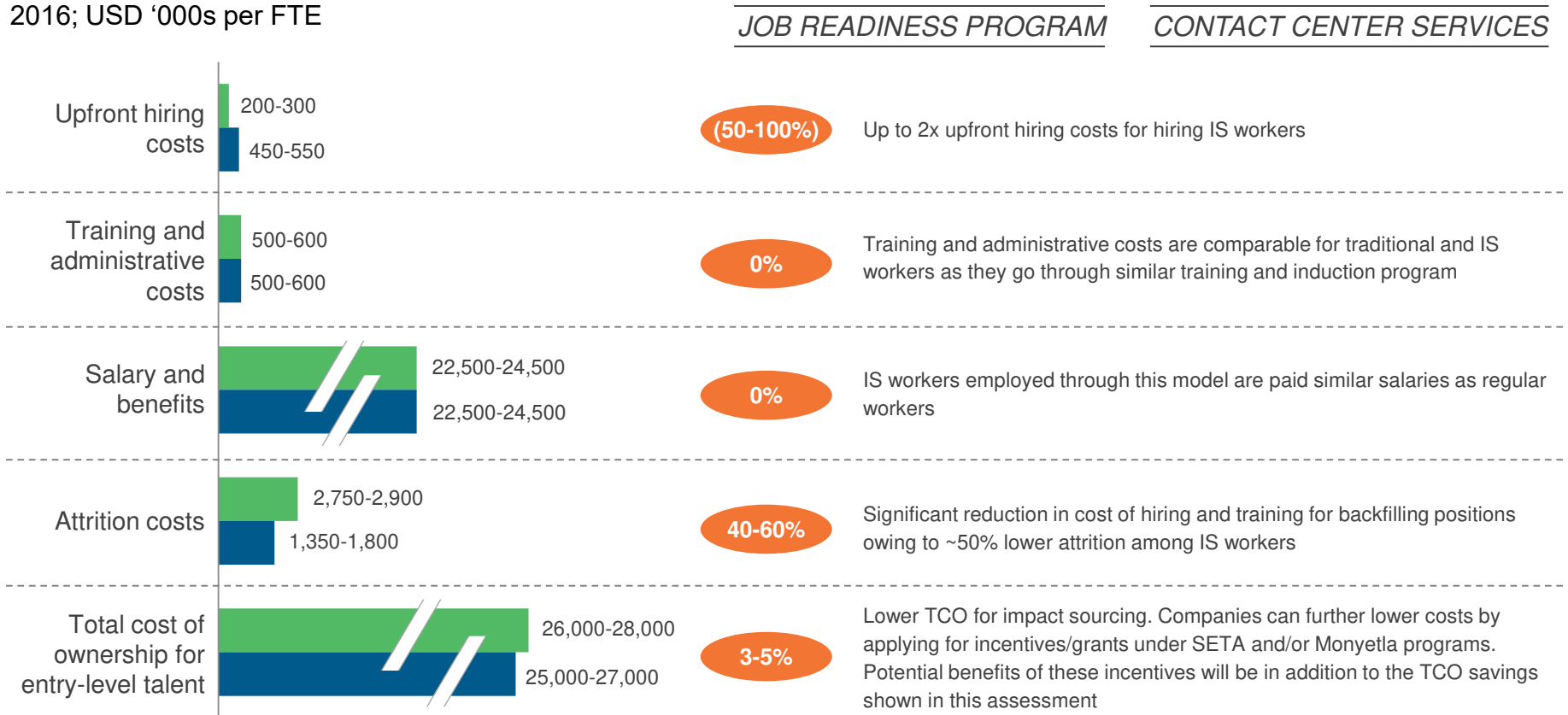
Source: Interviews with market participants; Everest Group (2016)

Cost savings offered by impact sourcing
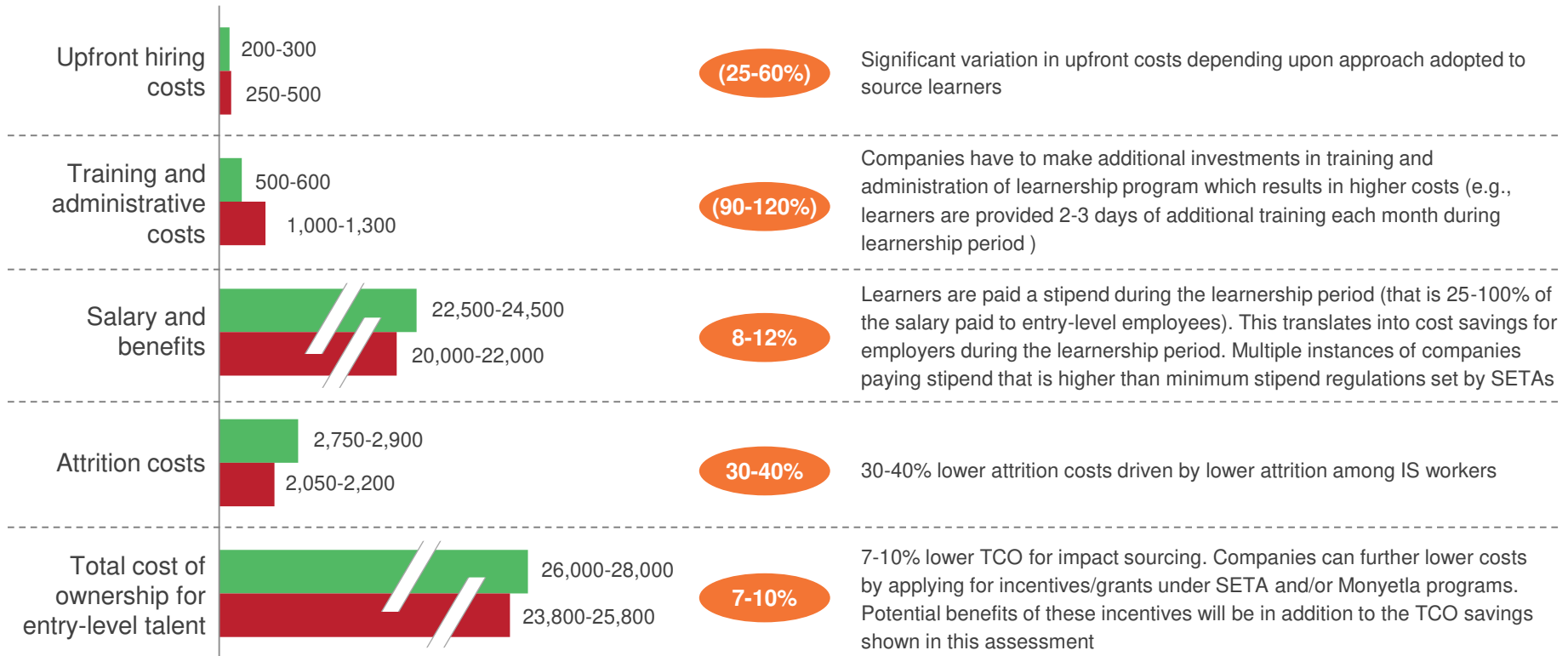## Learnership model

Total cost of ownership for entry-level agents over a 3 year period[1,2]
2016; USD '000s per FTE

| | Cost savings over traditional model | Traditional Workers | Learnership model |

LEARNERSHIP PROGRAM   **CONTACT CENTER SERVICES**

Upfront hiring costs
- 200-300 (Traditional Workers)
- 250-500 (Learnership model)

(25-60%) — Significant variation in upfront costs depending upon approach adopted to source learners

Training and administrative costs
- 500-600 (Traditional Workers)
- 1,000-1,300 (Learnership model)

(90-120%) — Companies have to make additional investments in training and administration of learnership program which results in higher costs (e.g., learners are provided 2-3 days of additional training each month during learnership period)

Salary and benefits
- 22,500-24,500 (Traditional Workers)
- 20,000-22,000 (Learnership model)

8-12% — Learners are paid a stipend during the learnership period (that is 25-100% of the salary paid to entry-level employees). This translates into cost savings for employers during the learnership period. Multiple instances of companies paying stipend that is higher than minimum stipend regulations set by SETAs

Attrition costs
- 2,750-2,900 (Traditional Workers)
- 2,050-2,200 (Learnership model)

30-40% — 30-40% lower attrition costs driven by lower attrition among IS workers

Total cost of ownership for entry-level talent
- 26,000-28,000 (Traditional Workers)
- 23,800-25,800 (Learnership model)

7-10% — 7-10% lower TCO for impact sourcing. Companies can further lower costs by applying for incentives/grants under SETA and/or Monyetla programs. Potential benefits of these incentives will be in addition to the TCO savings shown in this assessment

1   Total cost of ownership for entry-level agents over a period of three years; including cost of hiring, training, administration, salary and benefits, and attrition
Source: Interviews with market participants; Everest Group (2016)

Benefits of impact sourcing to IS workers, families, and community

95% IS workers believe that going through IS training program has increased their potential to succeed in life

Hopeful about their professional growth, 88% IS workers expect to get promoted or a significant hike in earnings in next two years

62% IS workers feel impact sourcing has made a positive impact on their children as well; 56% feel it has made a positive impact on their partners

74% IS workers feel they are better equipped (financially and mentally) to handle a family crisis

76% IS workers feel that they can do more for the community (neighbours, extended family, religious / political / hobby groups, etc.)

Source: The Rockefeller Foundation – EOH work readiness initiative report

Impact sourcing has made positive changes in the lives of IS workers

"The job I got after the training has changed my life. It has helped me provide for my family better and educate my kids. It has made me stronger and given me the confidence to chase my dreams. I feel valued as a service consultant."

"This job has made me independent. This has helped me provide for not only my kids but for my entire family. Moreover, I interact with new people at work everyday and it makes me really happy to see my customers satisfied."

"I have learnt a lot at this job and it given me valuable experience. I am able to support my further education and family with the help of this job. The independence has given me the courage to deal with anything that life brings to me"

"This job has improved my communication and leadership skills and taught me how to behave in a professional environment. I can pay my own bills and support my family as well"

Source: Everest Group (2016), Inputs from market participants, The Rockefeller Foundation – EOH work readiness initiative report

Everest Group
From **insight** to *action*.

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

New York
info@everestgrp.com
+1-646-805-4000

Toronto
canada@everestgrp.com
+1-647-557-3475

London
unitedkingdom@everestgrp.com
+44-207-129-1318

Delhi
india@everestgrp.com
+91-124-284-1000

Stay connected

Websites

www.everestgrp.com
research.everestgrp.com

Twitter

@EverestGroup

Blog

SHERPAS
IN BLUE SHIRTS

www.sherpasinblueshirts.com