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

- 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\(^2\)

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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

1. Availability of large and skilled English-speaking talent pool
2. Significant cost savings over onshore / source locations
3. Cultural affinity and time zone advantages
4. Deep domain skills for BPO service delivery
5. Robust enabling environment; first world infrastructure

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

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

<table>
<thead>
<tr>
<th>Location</th>
<th>Cost 2016 (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US (tier-2)</td>
<td>54-56</td>
</tr>
<tr>
<td>UK (tier-2)</td>
<td>48-50</td>
</tr>
<tr>
<td>Australia (tier-2)</td>
<td>45-47</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>41-43</td>
</tr>
<tr>
<td>Poland</td>
<td>24-26</td>
</tr>
<tr>
<td>Jamaica</td>
<td>16-18</td>
</tr>
<tr>
<td>South Africa</td>
<td>15-17</td>
</tr>
<tr>
<td>Philippines</td>
<td>13-15</td>
</tr>
<tr>
<td>India</td>
<td>9-11</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Location</th>
<th>Supply 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>5,000-7,000</td>
</tr>
<tr>
<td>Philippines</td>
<td>600-700</td>
</tr>
<tr>
<td>South Africa</td>
<td>550-650</td>
</tr>
<tr>
<td>Poland</td>
<td>350-450</td>
</tr>
<tr>
<td>Ireland</td>
<td>100-120</td>
</tr>
<tr>
<td>Jamaica</td>
<td>50-60</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>30-40</td>
</tr>
</tbody>
</table>

\(^1\) 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

- 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

1 In constant currency terms using exchange rate of 1 ZAR = 0.0649 USD
Source: Everest Group (2016); Interview with market participants, BPeSA
Impact sourcing is an integral component of the BPO talent model in South Africa, for both domestic and offshore work.

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.

Source: Everest Group (2016); BPESA; Interview with market participants
Companies use multiple models for adopting impact sourcing in South Africa

**Impact Sourcing**

**Intentional impact sourcing**

**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.

**Unintentional impact sourcing**

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

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

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

OLD MUTUAL

BPO service providers

accenture

AEGIS

CORACALL

GENPACT

CALL CENTRES

Teleperformance

webhelp

WNS Extending Your Enterprise

Source: Everest Group (2016); Interview with market participants
Most companies hiring IS workers have reported a positive experience

<table>
<thead>
<tr>
<th>Quote</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>“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.”</td>
<td>Leading South Africa-based bank</td>
</tr>
<tr>
<td>“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.”</td>
<td>Leading global bank</td>
</tr>
<tr>
<td>“They [IS workers] really value the position [job] that we are giving them.”</td>
<td>Global BPO client of a training academy</td>
</tr>
<tr>
<td>“Additional BBBEE points are a bonus. They add to our credentials when targeting business in South Africa.”</td>
<td>Aegis</td>
</tr>
<tr>
<td>“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.”</td>
<td>Teleperformance RSA</td>
</tr>
<tr>
<td>“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.”</td>
<td>Coracall</td>
</tr>
<tr>
<td>“We haven’t seen any difference in learning curve for an IS worker and a traditional worker.”</td>
<td>WNS</td>
</tr>
<tr>
<td>“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”</td>
<td>Webhelp</td>
</tr>
</tbody>
</table>

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)

Source: Everest Group (2016)
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

- 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

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 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

“There is a 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

<table>
<thead>
<tr>
<th>Case example of a leading South Africa-based bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison of performance of IS workers and traditional workers 2015; Percentage</td>
</tr>
<tr>
<td>Faults committed</td>
</tr>
<tr>
<td>18.52%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case example of a training academy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison of performance of IS workers and traditional workers 2015; Percentage</td>
</tr>
<tr>
<td>Adherence to schedule</td>
</tr>
<tr>
<td>84%</td>
</tr>
</tbody>
</table>

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
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.”

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)\(^1\)

<table>
<thead>
<tr>
<th>Traditional workers</th>
<th>IS workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-6%</td>
<td>2-3%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Traditional workers</th>
<th>IS workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>26,000-28,000</td>
<td>23,800-27,000</td>
</tr>
</tbody>
</table>

3-10% Cost savings over traditional model

- 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

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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 an 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.

<table>
<thead>
<tr>
<th>Total cost of ownership for entry-level agents over a 3 year period(^1,2)</th>
<th>Cost savings over traditional model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016; USD per FTE</strong></td>
<td>Upfront hiring costs</td>
</tr>
<tr>
<td><strong>IS Workers</strong></td>
<td><strong>Traditional Workers</strong></td>
</tr>
<tr>
<td>Upfront hiring costs</td>
<td>200-300</td>
</tr>
<tr>
<td>Training and administrative costs</td>
<td>500-600</td>
</tr>
<tr>
<td>Salary and benefits</td>
<td>22,500-24,500</td>
</tr>
<tr>
<td>Attrition costs</td>
<td>2,750-2,900</td>
</tr>
<tr>
<td>Total cost of ownership for entry-level talent</td>
<td>26,000-28,000</td>
</tr>
</tbody>
</table>

\(^1\) 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

CONTACT CENTER SERVICES
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

<table>
<thead>
<tr>
<th></th>
<th>US tier-2</th>
<th>UK tier-2</th>
<th>Aus tier 2</th>
<th>Northern Ireland</th>
<th>Poland</th>
<th>Jamaica</th>
<th>South Africa</th>
<th>Philippines</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>overheads</td>
<td>3-4</td>
<td>4-6</td>
<td>3-4</td>
<td>3-4</td>
<td>4-5</td>
<td>2-3</td>
<td>3-4</td>
<td>2-3</td>
<td>1-2</td>
</tr>
<tr>
<td>Technology costs</td>
<td>9-10</td>
<td>9-10</td>
<td>9-10</td>
<td>8-9</td>
<td>15-17</td>
<td>8-10</td>
<td>8-10</td>
<td>5-7</td>
<td>4-6</td>
</tr>
<tr>
<td>Facilities costs</td>
<td>32-34</td>
<td>30-32</td>
<td>27-29</td>
<td>16-18</td>
<td>15-17</td>
<td>8-10</td>
<td>8-10</td>
<td>4-6</td>
<td></td>
</tr>
<tr>
<td>People costs</td>
<td>54-56</td>
<td>48-50</td>
<td>45-47</td>
<td>41-43</td>
<td>24-26</td>
<td>16-18</td>
<td>15-17</td>
<td>13-15</td>
<td>9-11</td>
</tr>
</tbody>
</table>

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
The performance of IS workers is comparable to the traditional workforce

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

<table>
<thead>
<tr>
<th></th>
<th>Site average</th>
<th>IS workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punctuality</td>
<td>94%</td>
<td>99%</td>
</tr>
<tr>
<td>Attendance</td>
<td>93%</td>
<td>100%</td>
</tr>
<tr>
<td>Attrition</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Call type assessment</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Compliance assessment</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

“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”

1 Site average represents aggregate performance of all workers (impact workers and traditional workers)
Source: Everest Group (2016); Interview with market participants
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**

<table>
<thead>
<tr>
<th>Month</th>
<th>Traditional workers</th>
<th>IS workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>January-March 2016</td>
<td>~7%</td>
<td>~5%</td>
</tr>
</tbody>
</table>

**Leading South Africa based provider of collections services**

“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

**Average monthly attrition rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional workers</th>
<th>IS workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>5-6%</td>
<td>2-3</td>
</tr>
</tbody>
</table>

**Leading South Africa-based Bank**

“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

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

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Job readiness training model</th>
<th>Learnership model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>• This program provides a bridging program or a job readiness training (up to 8 weeks) to IS workers before they are absorbed into the employer organizations</td>
<td>• 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</td>
</tr>
<tr>
<td></td>
<td>• The aim of the program is to make IS workers “employment ready”</td>
<td>• 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</td>
</tr>
<tr>
<td>Details of training program</td>
<td>• This program focuses on both hard skills (e.g., computer literacy, language skills), and soft skills (e.g., communication, behaviour)</td>
<td>• During learnership period, IS workers (learners) work at entry-level positions with the employer</td>
</tr>
<tr>
<td></td>
<td>• It also includes coaching around life skills, such as adapting to a corporate environment, stress management, and benefits of stable employment</td>
<td>• The program helps learners develop industry-specific skills, in addition the soft skills</td>
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<tr>
<td></td>
<td></td>
<td>• Post completion of the learnership (typically 6-12 months), the employers can choose to hire these learners as permanent employees</td>
</tr>
<tr>
<td>Variations in adoption models</td>
<td>• Typically companies engage training academies for hiring and training of IS workers</td>
<td>• While some companies have engaged training academies, others have set-up internal learnership programs</td>
</tr>
<tr>
<td></td>
<td>• Some companies have recruited IS workers directly and engaged the training academy to provide job readiness training</td>
<td>• There are instances of companies hiring IS workers from job readiness training programs and then engaging them into learnerships</td>
</tr>
</tbody>
</table>
# Drivers for variation of costs for traditional and IS workers during over a three years period

<table>
<thead>
<tr>
<th>Cost included in assessment</th>
<th>Description and drivers of difference between traditional and impact sourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sourcing cost</strong></td>
<td><strong>Total cost of ownership for entry-level agents</strong></td>
</tr>
<tr>
<td>• Upfront costs incurred to recruit / source a regular/IS worker</td>
<td>• Induction and training cost</td>
</tr>
<tr>
<td>• Traditional employees are sourced directly or through recruitment agencies</td>
<td>• Time taken to reach productive level</td>
</tr>
<tr>
<td>• IS workers are typically sourced through specialist training and hiring agencies (e.g., Harambee, Impact Sourcing Academy)</td>
<td>• Cost of administering impact sourcing program</td>
</tr>
<tr>
<td><strong>Training and administrative costs</strong></td>
<td><strong>Salary and benefits for entry level workers</strong></td>
</tr>
<tr>
<td>• Induction, initial training, and ongoing training programs are identical for regular and IS workers</td>
<td>• Salaries and benefits paid to normal/IS workers during first 3 years of employment</td>
</tr>
<tr>
<td>• However, during learnership, learners undergo additional 2-3 day training each month</td>
<td>• Typically, companies pay similar salaries to traditional and IS workers</td>
</tr>
<tr>
<td>• Companies have to incur additional administrative costs, especially for management of learnership programs</td>
<td>• However, during the learnership period, the learners are paid a stipend, which is lower than salary paid to traditional workers</td>
</tr>
<tr>
<td><strong>Attrition costs</strong></td>
<td><strong>Lower attrition costs for impact sourcing driven by significantly lower attrition among IS workers</strong></td>
</tr>
<tr>
<td>• Additional costs for hiring and training to backfill for attrition</td>
<td></td>
</tr>
<tr>
<td>• Salary (during training period) of employees hired to backfill attrition</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>JOB READINESS PROGRAM</th>
<th>CONTACT CENTER SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upfront hiring costs</td>
<td>Up to 2x upfront hiring costs for hiring IS workers</td>
<td>(50-100%)</td>
</tr>
<tr>
<td>Training and administrative costs</td>
<td>Training and administrative costs are comparable for traditional and IS workers as they go through similar training and induction program</td>
<td>0%</td>
</tr>
<tr>
<td>Salary and benefits</td>
<td>IS workers employed through this model are paid similar salaries as regular workers</td>
<td>0%</td>
</tr>
<tr>
<td>Attrition costs</td>
<td>Significant reduction in cost of hiring and training for backfilling positions owing to ~50% lower attrition among IS workers</td>
<td>40-60%</td>
</tr>
<tr>
<td>Total cost of ownership for entry-level talent</td>
<td>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</td>
<td>3-5%</td>
</tr>
</tbody>
</table>

---

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

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Traditional Workers</th>
<th>Learnership model</th>
<th>Cost Savings over Traditional Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upfront hiring costs</td>
<td>200-300</td>
<td>250-500</td>
<td>(25-60%)</td>
</tr>
<tr>
<td>Training and administrative costs</td>
<td>500-600</td>
<td>1,000-1,300</td>
<td>(90-120%)</td>
</tr>
<tr>
<td>Salary and benefits</td>
<td>22,500-24,500</td>
<td>20,000-22,000</td>
<td>8-12%</td>
</tr>
<tr>
<td>Attrition costs</td>
<td>2,750-2,900</td>
<td>2,050-2,200</td>
<td>30-40%</td>
</tr>
<tr>
<td>Total cost of ownership for entry-level talent</td>
<td>26,000-28,000</td>
<td>23,800-25,800</td>
<td>7-10%</td>
</tr>
</tbody>
</table>

### LEARNERSHIP PROGRAM

- Significant variation in upfront costs depending upon approach adopted to source learners.
- 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).
- 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.

### CONTACT CENTER SERVICES

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