É Portugal um go-to-country para o nearshoring de serviços ?

Análise dos factores de competitividade "full loaded cost" e "skills to serve"

Sessão *Outsourcing*
25 Novembro 2015

Revisiting the conclusions of the agenda “Nearshoring in Europe “from December 2014

A near-shore Shared Services Center adds value, because it

- Allows significant cost savings
- Removes complexity in management and process execution
- Helps to win customer satisfaction/adds quality distinctiveness

Portugal can a be good choice for a location of a SSC

- Portugal is a stable country, both socially and politically, benefiting from the inclusion in the EU
- Abundant talent pool
- Low-cost and high quality of infrastructure
- Clear value proposition to attract young talent

Looking forwards, Portugal should focus on 3 clusters (telecom services, IT and software services, shared services) prioritizing action on 5 axis

- **Cost**: productivity increase and reduction of non-salary related costs
- **Qualification**: Available engineering workforce to support Portugal development plan
- **Tax policy**: Competitive fiscal policy for taxes impacting the direct salary costs
- **Direct incentives**: State incentive program customized for near shoring workplace creation
- **Installed base**: leveraging existing near shoring cases to gain scale and competitiveness

Revisiting the conclusions of the agenda “Nearshoring in Europe “from December 2014

Cost (Full loaded daily cost in [Eur])

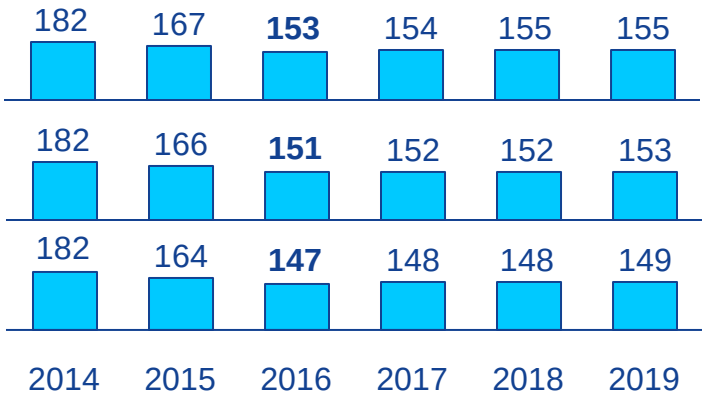
Reduction of non salary costs and productivity increase

+

Fiscal policy

+

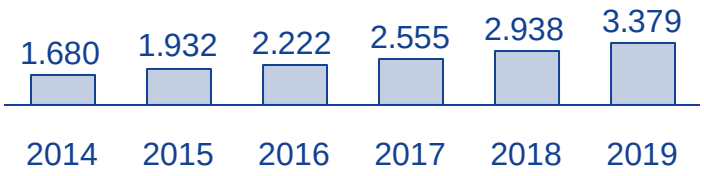
Direct incentives



Portugal cost will be closed to Poland cost by 2017 onwards

Qualification

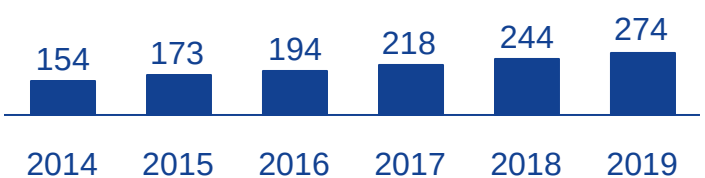
Electronics and SW Engineers available for nearshoring [in FTEs]



14.700 engineers in the period 2014-2019

Installed base

Installed base growth per year on top of 137 mEur in 2013 [in mEur]



Growth with existing projects – 274 mEur by 2019

Deep diving on the analytics of the agenda “Nearshoring in Europe “

In January 2015 a team was built in order to further access the competitiveness of Portugal as a nearshoring location, mainly focused in:

I Measures for short term optimization of the daily full loaded cost

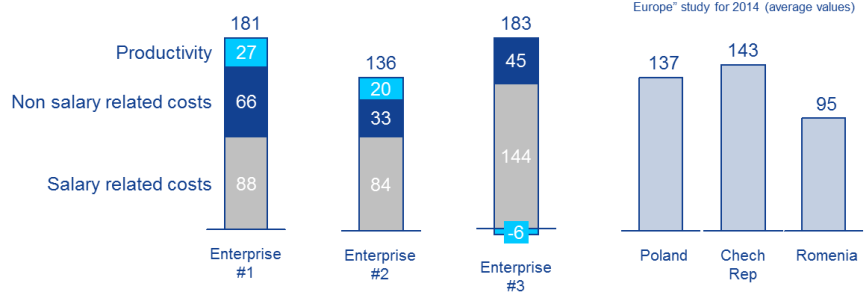
II Orientations to cover the qualifications gap for the near shoring strategic plan

I Measures for short term optimization of the daily full loaded cost

	Enterprise 1	Enterprise 2	Enterprise 3
Number of employees in near shoring activities	> 1.500	>200	>400
Inhabitants in main location	> 2.800.00	> 40.000	> 2.800.000
Service model	Predominant front office	Predominant back office	Predominant front office
Activity	Services for ICT	Services and R&D for ICT	Services and R&D for ICT

Full loaded daily cost [in Euro]

Note: Estimation from "Nearshoring in Europe" study for 2014 (average values)

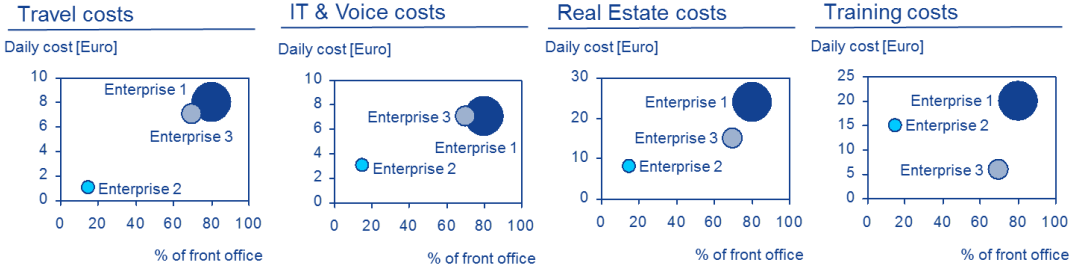


Productivity
- Cost gap or surplus from team average utilization to 100% utilization

Non salary related cost
- Cost of training
- Real estate
- Travel costs
- IT and Voice costs
- Overhead costs

Salary related cost
- Salary
- Extra time
- Shifts compensations
- Prevention compensations
- Travel allowances
- Lunch allowances
- Social taxes

Non salary related cost analysis



Note: Ball size related with the number of employees in near shoring activities

Variations in the non salary related costs mainly driven by the service model (front office vs back office) and location

I Measures for short term optimization of the daily full loaded cost

Findings

Portugal has actually a competitive cost compared with 2 of the main competitors in Central Europe for near shoring back office services (in the range of 200 to 300), competitive advantages are leveraged on:

- Locating the center closed to Universities out of the big cities
- Better alignment of the Universities curriculums with the near shoring expertise requirements can reduce significantly the training costs (up to 25% from this study analytics)
- Real estate costs can be significantly reduced by close cooperation with municipalities (up to 60% from this study analytics)

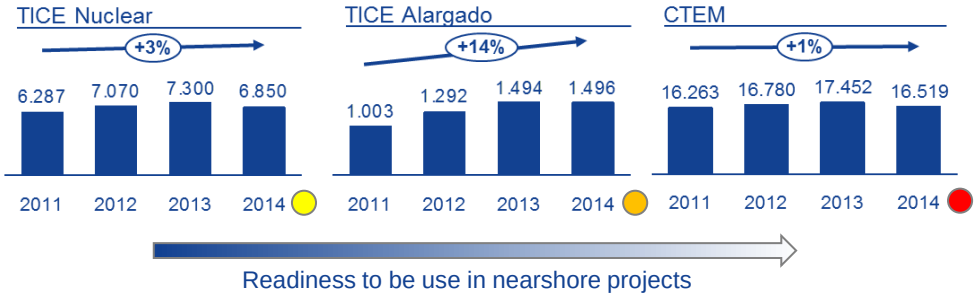
Portugal has actually a cost gap compared with 3 of the main competitors in Central Europe for near shoring front office services (with over 500 employees), competitive advantages to cover the gap can be leveraged on:

- Increase the productivity 5pp from 85% to 90%, by focusing in innovations for Services and processes automation
- Cooperation programs with the Universities to align the near shoring expertise requirements with the University curriculums to reduce the training costs (target 20%)
- Reducing the Real Estate costs by 50%

II Confirmation of skills shortage of agenda “Nearshoring in Europe” from December 2014

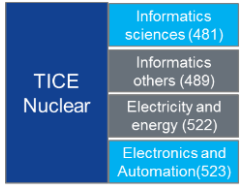
in the study “Mapeamento da Oferta de Educação e Formação em TICE em Portugal” from Ana Cláudia Valente e Isabel Correia – Coligação Nacional para a Empregabilidade Nacional, Fundação Calouste Gulbenkian

graduated

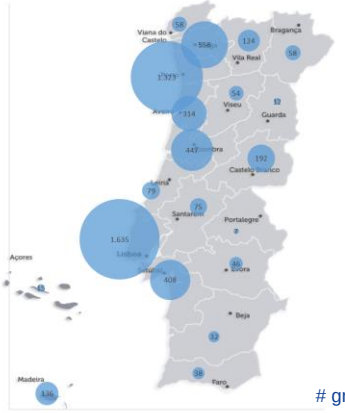


TICE: Tecnologias de Informação , Comunicação e Eletrónica
CTEM: Ciências, Tecnologia, Engenharia e Matemática

TICE ICT engineer

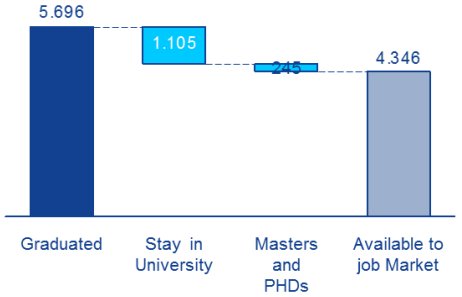


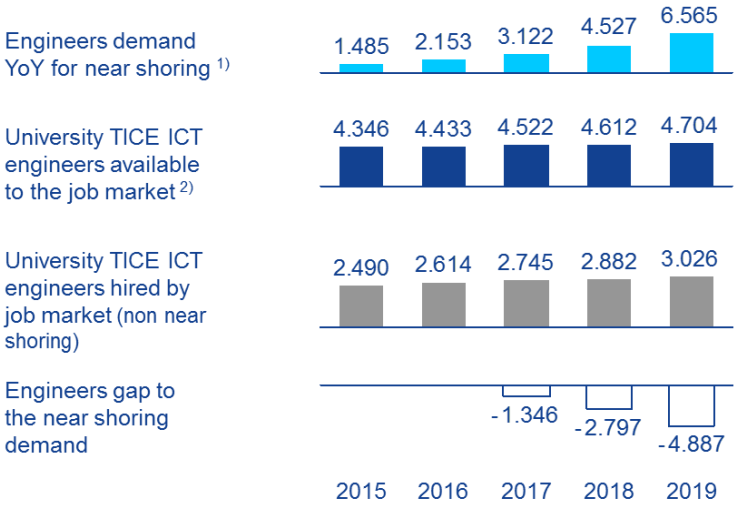
Best fit with nearshoring demand, supporting the reduction of the non-salary related costs (training costs)



graduated

Bridging from graduation to entering in Job Market

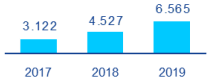




Available graduated of TICE ICT engineer will not be enough for nearshoring (>9.000 in period 2017-2019)

II Covering the gap with prioritization of TICE ICT engineer usage & others reconversion

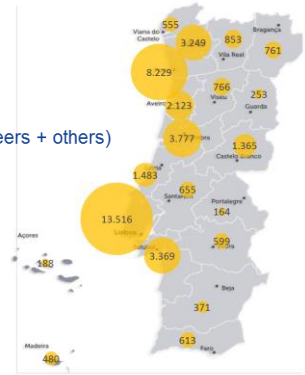
Engineers demand YoY for near shoring [1)]



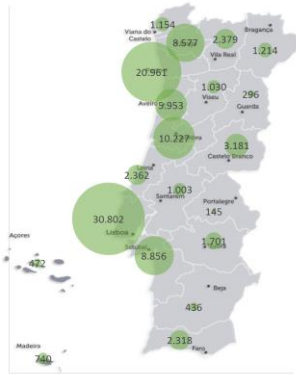
Expert	25%	• TICE ICT engineers
Standard	60%	• TICE Nuclear (TICE ICT engineers + others) • TICE Alargado • CTEM
Basic	15%	• Technological schools

the analysis to 2 TICE ICT enterprises with nearshoring operations in Portugal shows the following **average competence distribution**

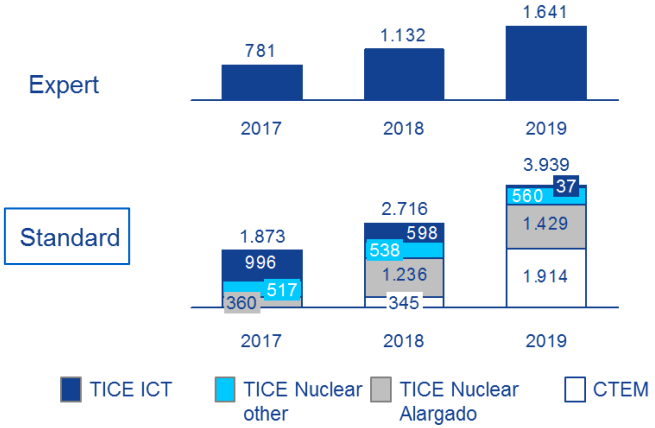
Total # enrolled

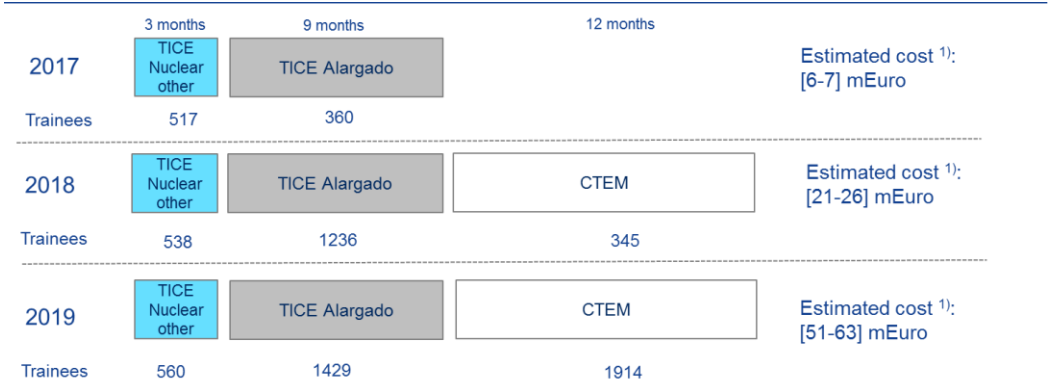


TICE Alargado



CTEM





Reconversion costs in different profiles can be reduced

- Up to 70%
  with usage of public reconversion programs
- Up to 20%
  with alignment with public education entities to optimize fit of skills

II Orientations to cover the qualifications gap for the near shoring strategic plan

Findings

Although there isn't enough offer in TICE ICT engineer skills, Portugal has enough offer that can be used for nearshore fulfillment using reconversion of other TICE and CTEM skills

- The negative trend of number of vacancies and enrolments in TICE and CTEM education must be reversed otherwise all scenarios will be even more aggravated
- Geographic availability of skills must be taken into consideration according to existant footprint in the territory that can change significantly
- According to the type of skills the need of resources and the conversion costs must be taken into consideration (decreasing for number of resources and increasing from TICE ICT engineers to CTEM spectrum)

Conversion costs are high but can be minimized with Public Sector measures and additional alignment and cooperation between Public Education and private enterprises

- Public measures can reduce from 60% to 70% the costs of conversion for different profiles
- Additional alignment with public education entities can allow a better fit of skills to be made available to private companies, reducing cost of conversion up to 20%
- Conversion costs should not increase the full loaded costs if the goal is to increase competitiveness of Portugal as a go-to-country