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Market Research for Offshoring HR Functions from Australia

Case Company X Group

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Offshoring workforces are becoming more popular in today's corporate world. Human resources are often outsourced to external vendors for cost-effective and lack of expertise reasons. This thesis aims to weigh the advantages and disadvantages of offshoring Human Resource (HR) functions, as well as the difference between offshoring to New Zealand or to the Philippines from Australia. It is conducted as market research for case company X Group.

Mixed-method research was used for the data collection of this thesis. Quantitative and qualitative data were collected by using secondary data collection methods. To conduct this research, both digital resources and business literature were used. The evaluation on the two countries was completed with the help of analysis tools such as PESTLE, SWOT, and Risk matrix.

The results indicate that the Philippines is the more cost-effective offshoring option however New Zealand is more secure and better option in the long term. Considering all analyses, New Zealand came out as the overall more suitable option.

The recommendation for the case company is to carefully consider New Zealand as the offshored destination country. However, the immersion in this topic had its limitations, and they should be covered by Company X before committing to an offshoring agreement.

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1 Introduction

1.1 Background

In the current competitive business environment, organizations face constant changes in market dynamics, and they must seek new opportunities for cost optimization, innovation, and talent acquisition to remain competitive (Kotorov, Krasylnykova, Zhdanov & Mazzara 2020a, 327–340). To excel, businesses require a workforce that can adapt quickly to evolving skill requirements and competencies, helping the company stay ahead of the competition (Kotorov, Krasylnykova, Demel, Blaschke 2023).

Cost optimization is crucial for maximizing efficiency and profitability (Kibirige, Munene, Orobia, Mafabi, Kaawaase, & Ntayi 2020). By exploring new cost reduction options, companies can streamline expenses, allocate resources more effectively, and optimize operational processes (Yuloskov, Bahrami, Mazzara, Imbugwa, Ndukwe, & Kotorov 2023). This may involve automating repetitive tasks with technology solutions, using lean practices to eliminate waste, or outsourcing certain functions to specialized vendors (Aslam, Naumcheva, Zhdanov, Kotorov, Mazzara, Akhmetgaraeva, Valiev, & Krasylnykova 2023). By optimizing costs, businesses can free up financial resources that can be reinvested in innovation and growth initiatives (Kibirige et al. 2020).

Business success is contingent upon embracing innovation. With advancing technology and changing customer demands, companies must continuously evolve and offer new products, services, and solutions to meet market needs (Kotorov, Krasylnykova, Zhdanov & Mazzara 2020b, 341–355). This requires a creative and forward-thinking workforce capable of translating ideas into tangible results. Organizations must foster a culture of innovation that encourages employees to generate and implement fresh ideas, experiment with new approaches, and embrace calculated risk-taking (Kloos et al. 2021). By promoting innovation, companies can differentiate themselves, attract

customers, and respond effectively to emerging trends and challenges (Blaschke, Demel & Kotorov 2021).

Talent acquisition is increasingly vital for companies operating in a dynamic business environment. To stay competitive, organizations must attract and retain top talent with the skills, knowledge, and capabilities to navigate market complexities. This often involves seeking diverse talent pools, leveraging technology for efficient recruitment processes, and offering attractive compensation packages and growth opportunities to attract the best candidates. By acquiring skilled talent, companies gain a strategic advantage, as these employees can drive innovation, enhance productivity, and contribute to overall organizational success. (Kotorov et al. 2021, 1–11.)

However, acquiring skilled talent is not enough. Companies must also ensure their workforce remains adaptable and continuously upskills to meet evolving demands (Jaiswal, Arun, & Varma 2022). Organizations must invest in ongoing training and development programs to equip employees with the necessary competencies and knowledge to thrive in a rapidly changing landscape (Krasylnykova, Kotorov, Demel, Mazzara & Bobrov 2023). This may involve providing access to online learning platforms, workshops, seminars, and mentorship programs or encouraging participation in industry conferences and networking events. By prioritizing employee development, businesses can build a resilient workforce that can readily adapt to new technologies, market trends, and customer expectations. One solution to acquiring skilled workers is to obtain them through outsourcing. (Marouf et al. 2023.)

For companies, outsourcing Human Resources (HR) administrative functions overseas is a valuable way to tap into versatile talent and efficiently undertake tasks in a profitable manner (Intogreat Solutions 2023). When a company authorizes an external vendor to take over parts of their business operations, it is called outsourcing. Offshore outsourcing, also known as offshoring, is when a business transfers parts of its operations to another country. Both outsourcing and offshoring are cost-effective ways for companies to manage their business. but neither come without risks. (NAPS 2016)

This thesis explores offshoring Human Resource administrative functions from Australia to either New Zealand or the Philippines. The case company, Company X Group, is an Australian telecommunications company considering outsourcing parts of its Human Resources department overseas for various reasons. (Grummitt 2023.)

The fourth-largest telecommunications company in Australia, Company X is the owner and operator of a 25,000-kilometre fibre network designed for business and government. The company has two consumer retail brands, and one retail brand for small and medium businesses. All these brands provide communications and technology solutions. Company X employs approximately 1,300 employees across the main cities in Australia and some smaller offices in more rural areas of the country. (Company X Group 2023.)

Company X operates with seven divisions, namely Enterprise and Government, Wholesale, Retail, Infrastructure and Operations, Finance, Legal, and People and Culture. This thesis will focus on Company X's People and Culture Division. The administrative roles the company is considering to offshore are the People and Culture Administrator and, People and Culture Reporting Specialist. Company X is exploring offshoring as an option due to the increasing cost of living in Australia, and the resulting increased cost of its workforce. (Grummitt 2023.)

All currencies presented in this thesis will be presented in euro, Australian dollars, New Zealand dollars, and Philippine pesos. Exchange rates are according to the Reserve Bank of Australia dated 19 May 2023. The euro exchange rate is set at 0.6160 to the Australian dollar, the New Zealand dollar exchange rate at 1.0630 to the Australian dollar, and the Philippines peso exchange rate at 36.97 to the Australian dollar (Reserve Bank of Australia 2023).

1.2 Aim of the thesis

The purpose of this thesis is to weigh the advantages and disadvantages of offshoring Human Resource (HR) functions, as well as the difference between offshoring to New Zealand or to the Philippines from Australia. The following questions are addressed in this thesis:

- What are the benefits of outsourcing Human Resource functions?
- Which country, New Zealand or the Philippines, is more favourable for offshoring HR workforce from Australia?
- What are the risks of offshoring HR functions to each country?

1.3 Research method

This thesis is based on a mixed method research investigating offshoring human resources from Australia to two different countries. Mixed methods research is when both qualitative and quantitative research methods are used in one research (Kandel 2020).

Qualitative research is gathering non-numerical data and analysing it to attain a thorough overview of social phenomena within their authentic surroundings. Qualitative data is often presented in the form of words, and gathering textual data is the main goal when collecting qualitative data. This can be done in several different methods: interviews, focus groups surveys and secondary research. (Ugwu & Eze 2023.)

In this thesis the main data collection method is secondary research that utilises already collected data. Secondary data can be gathered by searching the internet for available data, visiting public libraries to look for appropriate data, contacting educational institutions for their primary research materials, and researching commercial information sources, for example the radio, TV, and newspapers. (Ugwu & Eze 2023.)

Quantitative data refers to numerical, statistical, or mathematical data that is primarily collected via ballots, surveys, or by modifying secondary statistical data. Quantitative analysis aims to explain specific phenomenon or occurrences affecting individuals by generalising statistical or numerical data. The objective of quantitative research is to identify and establish a connection between one independent variable and another dependent variable or outcome in each population. (USC 2023) The quantitative data in this thesis is collected from secondary statistical data and it covers the salary and tax information and statistics on both countries.

1.4 Outline of the thesis

This thesis is divided into seven parts. The introduction chapter presents the topic and the case company, Company X, as well as the aim of the thesis, the research methods used and the structure of the thesis. The second chapter, the theoretical framework, introduces the analysis tools used in this thesis, which are the PESTLE analysis, SWOT analysis and risk assessment on offshoring with the Risk Matrix. The next chapter describes human resources in general, what it looks like in the 21st century, human resources and outsourcing, what human resources consists of at Company X, and why they are considering offshoring. The fourth and fifth chapters present New Zealand and the Philippines as options for offshoring, and with the help of the analysis tools, all advantages and disadvantages are explored. The second to last chapter summarizes the findings and compares the two options. Finally, the conclusion chapter presents the recommendations and limitations to offshoring.

2 Theoretical Framework

2.1 PESTLE Analysis

To gain a macro-environmental picture of New Zealand and the Philippines as the offshoring countries and evaluate their risks and opportunities, it is beneficial to utilize the PESTLE analysis tool. PESTLE considers the Political, Economic, Social, Technological, Legal and Environmental factors. These are the six factors the tool uses to identify the risk factors. Once identified, the strengths and weaknesses will be used in a SWOT analysis. (The University of Sydney 2023.)

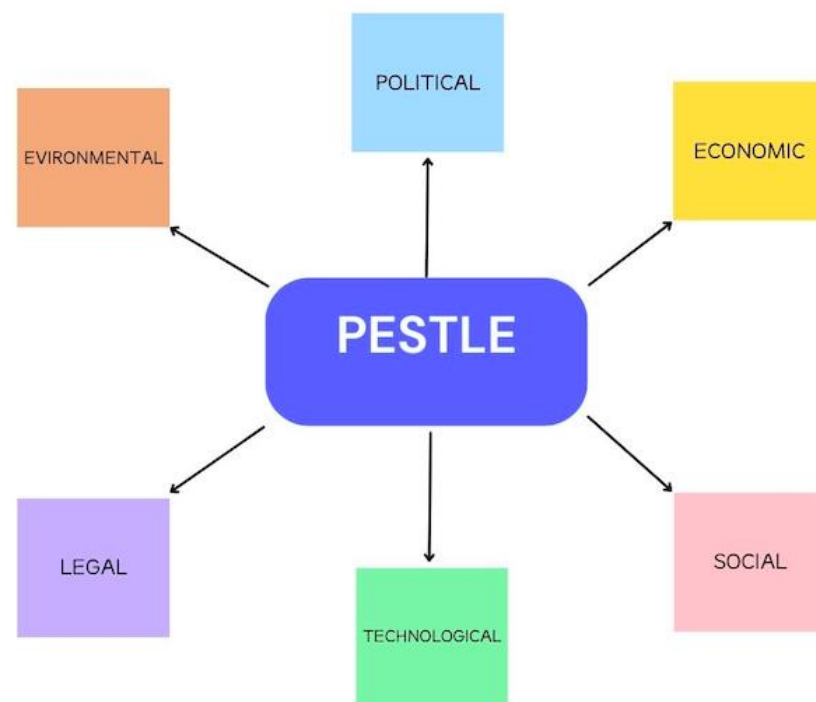


Figure 1. PESTLE Analysis (Created in Canva 2023).

As presented in Figure 1, the PESTLE analysis is divided into six categories. A political environment in a PESTEL analysis can explore governmental factors such as legislation or policies, as well as topics like conflicts, taxation, and fiscal policies. The economic environment is one of the more important aspects to analyse with market research for offshoring. Economic factors can include inflation, interest and unemployment rates, disposable income, and economic growth patterns. The social environment consists of demographics, health, media, education, culture, religion, and ethics. This thesis will cover the demographics and education of both countries, New Zealand and the

Philippines, and what these mean from the offshoring point of view. (The University of Sydney 2023.)

The technological environment is another important aspect to consider with offshoring in mind, specifically as the case company, Company X, is a telecommunications company. Automation, technological awareness and development, communication and information technology are some of the technological factors to consider in a PESTLE analysis. A company's internal and external environment can be influenced by legal factors, such as employment laws, regulations specific to the industry, and environmental regulations. Environmental factors can include climate, geographical location, and weather. (The University of Sydney 2023.)

2.2 SWOT Analysis

The PESTLE analysis helps to identify risk factors. The SWOT analysis helps to determine how they would affect the business. SWOT is often known as a decision-making tool, as it can give a company a better understanding of the business internally and externally. With the SWOT analysis the focus is on the strengths, weaknesses, opportunities, and threats. (Queensland Government 2022.)

Strengths and weaknesses give an internal perspective of the business or topic, and opportunities and threats have an external take on the topic (Peterdy 2023). In this thesis the SWOT analysis is used to determine which country, New Zealand or the Philippines, has more strengths and opportunities when compared to the other one.

SWOT ANALYSIS

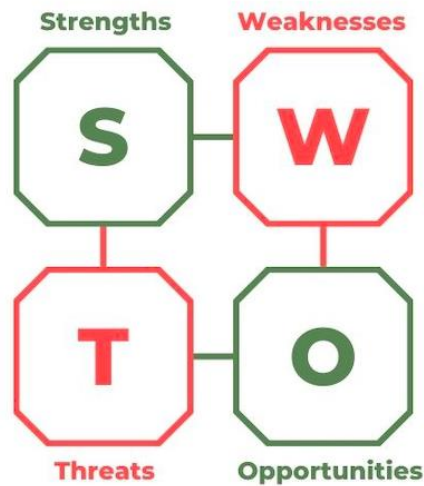


Figure 2. SWOT Analysis (Created in Canva 2023).

Strengths can be either qualitative, like with company culture and technology, or quantitative, like turnover or return on equity. Traditionally, when using a SWOT analysis, the strengths are advantages compared to competitors in the same market. With this thesis topic, the strengths of offshoring parts of the HR department will be compared to keeping the roles in Australia. Weaknesses can be considered the opposite of strengths, disadvantages that can be measured qualitatively or quantitatively. Opportunities will consider external aspects, like future development or growth. Threats demonstrates external risks, for example industry changes. (Peterdy 2023.)

2.3 Risk Assessment on offshoring

In this thesis risk assessment on offshoring is done with the help of the risk matrix tool. This tool is used to prioritise risks and to determine whether specific risks can be accepted. The matrix demonstrates the probability and the impact of the risk event. There are two main decisions that the matrix aims to assist with: accepting the risk and deciding which risk requires attention first (Duijm 2015). The advantage of using a risk assessment is being able to see an overview of all potential risks, as this enables prioritising them before beginning a project, and in this thesis' case before offshoring begins. Prioritising them

early allows resource and strategy planning and minimises the number of unexpected incidents. In conclusion, the main responsibility of a risk matrix is to assist in creating a risk response plan. (Boogard 2022.)

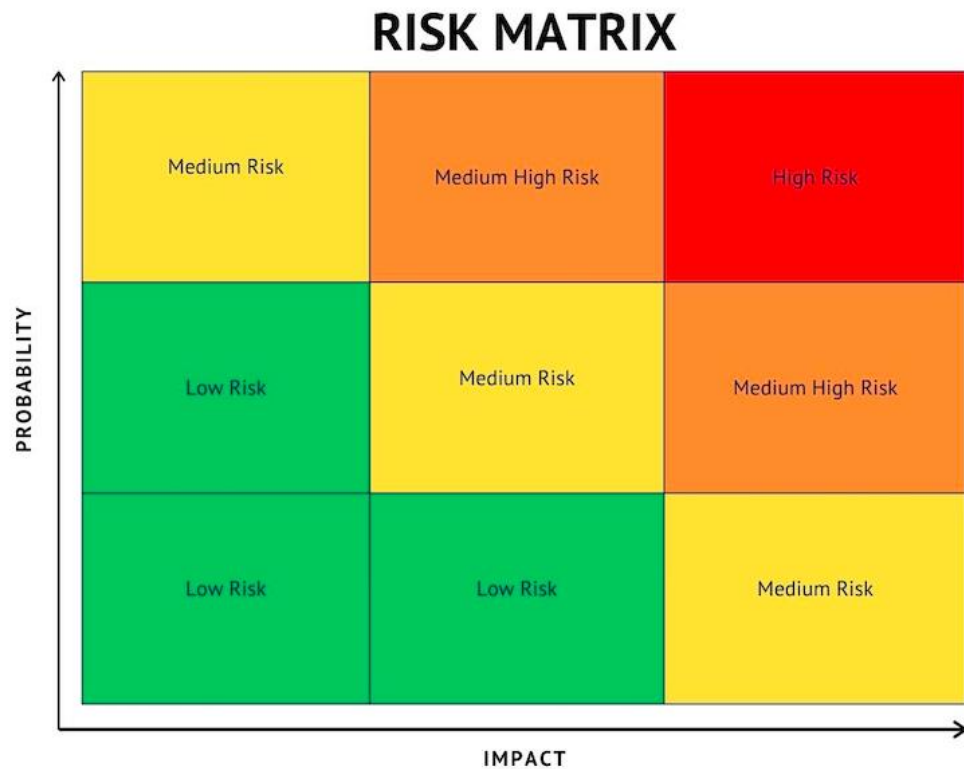


Figure 3. Risk Matrix (Created in Canva 2023).

This thesis will describe every potential risk that comes with offshore outsourcing human resources and prioritising them with the risk matrix will allow Company X to plan accordingly on how to avoid or overcome each risk.

In this thesis, a point system is implemented to describe the level of risk, and where an attribute or event is presented on the matrix. A high-risk event is +4 points, medium high risk is +3 points, medium risk is +2 points, low risk is +1 point and 0 for no risk. To conclude the risk analysis on each country, all points will be summed. The country with the most points presents the highest risk if housing offshored roles for the case company.

3 Human Resources

3.1 About Human Resources

The department of Human Resources (HR) in any business or organisation can be considered as one of the most important resources as they manage all employee related matters. The term 'human resources' comes from the 1960s when the attention to workers' motivation, organizational behaviour and recruitment shifted, and companies started value it more.

(HumanResourcesEDU.org 2023.)

All management and development of employees in a company is described as human resource management, and as it is a broad term, it can be divided into focus areas such as recruitment, compensation and benefits, training and learning, employee relations, and organization development. Each area of HR has their own focus points, but often employee relation issues that arise can affect several areas at once. (HumanResourcesEDU.org 2023.)

Human Resources revolve around trends and megatrends to further develop the department and business. Global challenges have shaped these trends, for example the COVID-19 pandemic has increased working from home in most businesses, and the cost-of-living crisis has highlighted the significance of monetary benefits such as targeted pay increases, one-off bonuses, and shopping vouchers with discounts. Where megatrends do not change every year, trends can be very specific to each year but more often continuous to the following year. (Dank 2022.)

3.2 Human Resources in the 21st century

Human Resources has changed a lot over the years, and so does the business environment. This means one of the department's main tasks is to assist the business in adapting to rapid external and internal changes (Economic Times

2023). The need for upskilling and reskilling has increased with the change the global economy has undergone. A shift in perspective required for hiring and employee development is required to navigate these changes effectively. Rather than focusing on employees' work history, evaluating individuals based on their skill sets enables companies to promote fairness, unlock hidden talent, promote diversity in their talent pools, and enhance the overall effectiveness of the hiring process. (Roslansky 2021.)

According to research conducted by Gartner, the top priorities of Human Resource (HR) leaders are maximising leader and manager effectiveness with compassionate human approaches, managing organisational design and change effectively to avoid uncertainty and change fatigue, focusing on the employee experience, improving recruiting strategies to attract strong talent, and building the future of work with remote and hybrid workforces (Turner 2022).

With expanding business across borders, also known as globalization, on the rise, the significance of Human Resource Management (HRM) has grown alongside it (Senyuçel 2009). Globalisation refers to the international movement of the integration of economies, finance, trade, and communications (Monash University 2023). Developing and improving the workforce and maintaining organisational flexibility are the only effective ways to maintain relevance within the competitive environment globalisation has created (Senyuçel 2009).

The effects of the movement touch both current and prospective employees in other countries, and it is all up to finding appropriately skilled prospective employees for businesses to be able to enter the foreign markets. Human resource departments must consider cultural differences, foreign regulations, and technological developments both in and out of workplaces to accommodate globalisation. Cultural norms can affect employees' views on their jobs, work-life balance, and expectations on employment conditions. Different opinions on gender roles in the workforce can be influenced by cultural views, specifically on women in leadership roles. With the different tax rates, benefit requirements, or labour and environmental regulations, HR departments must be equipped to

handle situations related to these areas. Technology and HRI systems play important parts in communication and possible language differences when managing employees across borders. HRIS may require adaptation to offer multiple language options to accommodate employees with different native languages. (Natter 2020.)

In today's corporate world, technology and HR technology are becoming inevitable (Kotorov et al. 2022). HR technology can be utilised for automation, cloud technologies, artificial intelligence or for improving systems and processes. With HR technology companies can increase employee engagement and recognition, streamline recruitment processes, manage compliance, help people leaders with their employee management, and improve internal communications. (Anderson 2023.)

3.3 Human Resources and Outsourcing

In recent years, outsourcing human resources has become more popular in the corporate sector (Pérez-Sanagustín et al. 2022). Outsourcing allows businesses to entrust complex or unfamiliar tasks to third party agencies, addressing expertise gaps and discomfort, while enabling them to allocate their time and resources to focus on higher-level responsibilities and strategic objectives. (Padhy 2021, 1.) Other reasons to outsource are the need for advanced technology, cost effectiveness and lower administrative costs, and high-standard customer service or expertise (Padhy 2021, 2). Most commonly recruitment, training and development, and industrial relations are the human resource functions that get outsourced (Padhy 2021, 1-2).

Outsourcing and offshoring are both terms for allocating work and roles to an external party rather than keeping them internally. Outsourcing refers to contracting work domestically to a third-party organization or individuals. There are multiple reasons why organisations may rely on outsourcing, mainly costs. External agencies or contractors may be able to offer their services for a lower rate, with flexibility on the costs due to organisations being able to charge for

only what they require. A common reason for outsourcing is the challenge finding appropriate talent for specific roles in an organisation: outsourcing the roles to external specialised professionals may be the only solution. (Lugo 2020)

Offshoring describes outsourcing work internationally. With offshoring, costs are often significantly lower than keeping the work internally within the organisation or domestically within the country. Some of the lower costs also come from tax and tariffs, as organisations may be allowed to pay them as per the offshoring country's laws. (Lugo 2020.)

The appropriate HR outsourcing agreement covers the scope of services, pricing, fundamentals on the service level, exit plans, and any additional contract terms. HR professionals must have a thorough understanding of the relevant business issues and have the clearly defined services at a mutually agreed price to be able to negotiate an optimal outsourcing agreement. The key to outsource HR functions successfully is to select suitable third-party outsourcing agencies and foster a collaborative relationship with them. This includes clearly outlining expected benefits in a written business case, using established practices, and promoting trust and transparent communication. (SHRM 2023.) When outsourcing work, one must use a confidentiality agreement to ensure the third party will not leak or utilise the information they learn while working in the company's systems. With outsourcing comes a loss of oversight of the quality control as well. Therefore, it is important to clarify the desired level of quality with the third party prior to starting work with the outsourced vendor. (Balasingham 2023.)

Hello Monday is an operational and strategic HR service provider for several industries in New Zealand. It was founded in Auckland in 2014 (Hello Monday 2023). The main objective of the company is to help companies with their goals and objectives through their people. Hello Monday offers HR administration services that can take care of employment contracts and other letters, recruitment administration, onboarding and induction, processes, and policies, updating employee files and jury service. (Hello Monday 2023.)

Criteria required by Company X	Beepo – An HR outsourcing company in the Philippines	Hello Monday -An HR outsourcing company in New Zealand
Cost-effective	✓	✗
Expertise Support	✓	✓
Data security	✓	✓
Accessibility	✓	✓
Control	✓	✓
HR task: onboarding	✓	✓
HR task: contracts/letters	✓	✓
HR task: employee benefits	✓	✓
HR task: data entry and management	✓	✓

Table 1. Criteria required by Company X from third party vendors.

An Australian-owned outsourcing company, Beepo is an Australian-owned subsidiary of Probe CX operating in the Philippines. By tapping into the Filipino talent pool, the company describes its main objective as offering support for sustainable growth for businesses and enhancing cost management. The company has over 18 000 employees across five countries, and as an Australian customer experience solutions provider, Beepo is one of the largest and most diverse. HR Specialist is one of the roles for organisations to outsource and recruit via the company. Tasks listed by Beepo that align with Company X's requirements for the administrative roles are onboarding and termination administration, HR reporting generation and maintaining, HR policies, processes and templates' maintaining and updating, and administration tasks related to employee relation issues, and performance management. Beepo highlights that their offshored HR specialists' skills include these tasks, and more. The additional advantages the company's offshored HR specialist bring to organisations are lower costs, expertise support, enhanced flexibility

and availability, growth, enhanced employee satisfaction numbers. Beepo is promising organisations it will be able to lower their costs up to 70%, which is a significant saving that allows organisations to invest that in the growth of the business. For the offshoring services, organisations pay a monthly fee covering infrastructure, security, management and recruitment, training, information technology (IT), legal, and staff benefits. (Beepo 2022.)

3.4 Human Resources at Company X

The Human Resources division at Company X or in their terms, People and Culture (P&C), consists of approximately 35 employees. The People and Culture division consists of Learning and Development, Payroll, Remuneration and Benefits, P&C Systems, Talent, Facilities and five P&C Business Partners. (Grummitt 2023.)

Learning and Development are responsible for training and providing opportunities for learning, leadership, and their development. It provides support with individual development plans and goal planning for all employees across the business. The payroll team is responsible for pay and superannuation related matters. Remuneration and Benefits take care of employee benefits, recognition programs, and other performance and compensation related matters. P&C systems team look after Human Resource Information Systems (HRIS) that include capturing and maintaining employee information and feedback. The talent team recruits new team members and handles any internal hires there may be. Facilities look after all the office spaces, parking, and security. The five P&C Business Partners work as the link between each division, and the People and Culture team and their role include helping with all personal, people or work-related matters. (Company X Internal Wiki 2023.)

Due to the increasing costs of living in Australia and therefore increased cost of workforce, Company X is exploring offshoring HR administrative functions (Grummitt 2023). According to the Australian Bureau of Statistics (2023), since

May 2020, the annual increase in full-time average income is 3.4% or 36.34 EUR (59 AUD, 62.72 NZD, 2 181.23 PHP) per week is the highest it has been ever. The significant increase in earnings indicates strong wage growth in Australia (Australian Bureau of Statistics 2023).

The People and Culture roles company X is looking to outsource are administrative roles, People & Culture Administrator and People & Culture Reporting Specialist. These roles currently sit in the Reward and Systems Team in the People & Culture Division. They currently work in several different HRI systems and enter, maintain, and extract employee data. These roles work with all parts of employee lifecycle, contract, and adjustment letter creation, managing an employee recognition program, and supporting internal and external key stakeholders with any administrative tasks they may have (Company X 2023). The two roles would still report to the team in Australia after finding the right candidates in the chosen outsourced country. (Grummitt 2023.)

4 Outsourcing to New Zealand

4.1 PESTLE Analysis on New Zealand

Political Environment

New Zealand is one of the 56 member countries of the Commonwealth of Nations, ruled by His Majesty King Charles III (MFAT 2023). The Governor-General is the King's representative in New Zealand, and their responsibilities include constitutional, ceremonial and community duties whilst being politically neutral, as would the King (Electoral Commission 2023). Containing nearly one-third of the population of the world, Commonwealth countries share the English language, comparable systems of law, education, government, and certain sports due to their common colonial history (MFAT 2023).

The New Zealand government is a representative democracy and a constitutional monarchy where each citizen or permanent resident over the age

of 18 can influence by voting on the general and local elections and on referendums. The government is divided into three branches: the parliament as the legislature, the elected government as the executive branch, and the judges and courts as the judiciary. (Electoral Commission 2023.) In the current, 53rd Parliament of New Zealand, there are five parliamentary parties: the Act Party, the Green Party, the Labour Party, the National Party and Te Paati Māori. The Labour Party has the most members of Parliament in 2023. (New Zealand Parliament 2023.)

New Zealand has a stable political reputation internationally for its transparent government, democratic institutions, and minimal levels of corruption. Its consistent and safe environment makes it ideal for investors and businesses globally. (GOV.UK 2022.) The next General Election will be held in October 2023, when the country gets to vote on the next House of Representatives (Electoral Commission 2023).

Taxable income in New Zealand						Tax on column 1			Tax on excess (%)
Over			Not over						
NZD	AUD	EUR	NZD	AUD	EUR	NZD	AUD	EUR	
0	0	0	14,000	13170.27	8112.888	-	-	-	10,5
14000	13170.27	8112.89	48,000	45155.22	27815.62	1470.00	1382.88	851.85	17,5
48000	45155.22	27815.62	70,000	65851.36	40564.44	7420.00	6980.24	4299.83	30
70000	65851.36	40564.44	180,000	169332.1	104308.6	14020.00	13189.09	8124.48	33
180000	169332.08	104308.56	and above	and above	and above	50320.00	47337.72	29160.04	39

Table 2. Tax rates on personal income in New Zealand (PwC New Zealand 2023).

According to the PwC, personal income in New Zealand for residents can be categorised into six different tax brackets (PwC New Zealand 2023). The average annual salary of 35 824.20 EUR (58 156.16 AUD, 61 820 NZD, 2 150 033.30 PHP) would be taxed 4 299.83 EUR (6 980.24 AUD, 7 420 NZD, 258 059.64 PHP) (Stats NZ 2022).

New Zealand has a longstanding and tightknit political relationship with Australia due to their close geographical proximity as well as shared history. The two countries cooperate on several international policies, security, and

trade issues. These collaborations include international forums such as the United Nations and World Trade Organisation, as well as collaborating on aid and development work in the Pacific and Southeast Asia regions. (New Zealand Foreign Affairs & Trade 2023.)

Economic Environment

Operating on the principles of a free market, New Zealand's open economy is complimented by a highly efficient agricultural sector along with significant manufacturing and service sectors. Approximately one-third of real expenditure GDP is from the export of goods and services. (The Treasury 2020.) From the service economy, the three primary drivers are tourism, property, and financial services. New Zealand has several free trade agreements with Australia and other Asia-Pacific neighbouring countries. (GOV.UK 2022.)

In the December 2022 New Zealand's unemployment quarterly rate was 3.4% with 99 000 unemployed people. Out of people aged 15 and over, the quarterly employment rate was 69.3% in December 2022, meaning 2 855 000 people were employed. (Stats NZ 2023.) As of December 2022, New Zealand's population was 5 151 600 with an annual growth rate of 0.69%. (Stats NZ 2023.) The number of employed people in the country is estimated to increase to 2.87 million in 2024, which would make a 0.35% increase between 2023 and 2024 (O'Neill 2023). However, with the year ended January 2023, the migrant departures had increased by 37% compared to the year before, which takes the number to 97 700 departing migrants annually (Stats NZ 2023).

Due to the shortage of workers, employers are paying higher wages to engage and retain labour. This has led to a significant increase in consumer price inflation, leading the Reserve Bank to raise interest rates significantly. (Withers 2023.) In June 2022, the New Zealand median weekly gross income from wages and salaries increased from the previous year by 55.63 EUR (90.31 AUD, 96 NZD, 3 338.78 PHP). This takes the average annual gross wage to 35 824.20 EUR (58 156.16 AUD, 61 820.00 NZD, 2 150 033.30 PHP). The country's gender pay gap was 9.2 percent in June 2022. (Stats NZ 2022.)

Social Environment

The aging population in New Zealand is well-supported by their publicly funded and universally accessible healthcare system, ensuring their overall well-being. Given the higher probability of experiencing multiple health conditions, it is estimated that the number of dementia cases amongst the elderly New Zealanders will surge by 30 000 by 2023 when compared to the figures from eight years prior. The accessibility of the health and disability system varies among specific population groups, as evident from the statistics revealing the persistently lower life expectancies of Māori and Pacific peoples in comparison to the general population. The healthcare systems in New Zealand are placing a strong emphasis on prioritising the prevention of long-term illnesses and slowing their progressing. (Ministry of Health 2023.)

Both employees and contractors are subject to the Health and Safety at Work Act 2015, along with its associated regulations. These require the highest level of protection from physical and mental health and safety risks at a workplace. Ensuring a safe work environment is employers' responsibility. To do that, they are required to provide appropriate training and information to their employees. To provide free and confidential counselling and support services, many organisations work with Employee Assistance Programs (EAP). (Employment New Zealand 2023.)

For more than 20 years, New Zealand's primary workplace health and safety regulator, WorkSafe, has carried out regulatory actions to provide confidence in the competent management of health and safety in workplace across the country. Their main priorities are harm prevention and influencing system leadership. (WorkSafe 2020.) According to WorkSafe, annually work-related illness leads to an estimated 700-900 premature deaths, and work incidents result in the loss of 50-60 lives.

The education in New Zealand has been ranked 7th best in the world. The education in the country is free and compulsory for children aged 6 to 16. (Scholaro 2023.)

The education system is structured into three tiers:

- early childhood education,
- primary and secondary education,
- and further education (Ministry of Education 2022).

Early childhood education (ECE) is designed for children from birth until the age of school entry. Whilst not compulsory, ECE has an approximately 96.8% attendance rate. Primary and secondary education covers the ages between 5 and 19 years of New Zealand's children's education. Most schools in the country are government owned and funded, state schools, which makes them free for New Zealand citizens and permanent residents. State-integrated schools receive funding from the government. Compulsory attendance dues are paid by families of the children. Private schools receive partial government funding but are primarily funded through charging school fees by the parents. (Ministry of Education 2022.)

Further education includes higher education and vocational training opportunities. New Zealand is home to eight internationally recognised state-funded universities, each offering a diverse array of degree programs, including specialized professional degrees. (Ministry of Education 2022.) The number of 25- to 64-year-old New Zealanders holding a tertiary education qualification increased by 13% over a span of 20 years, making it 65% of the population in 2021 (Education counts 2023). The tertiary education fees typically range between 3 476.95 EUR (5 644.40 AUD, 6 000 NZD, 208 673.57 PHP) and 5 794.92 EUR (9 407.34 AUD, 10 000 NZD, 347 789.28 PHP) per year for domestic students, in addition to the charge administration and student service fee of 582.74 EUR (946 AUD, 1 005.60 NZD, 34 973.69 PHP) some universities charge (Times Higher Education 2023).

New Zealand has three official languages: English, Māori, and New Zealand Sign Language. The main language spoken in parliament, the courts, and the education system is English, and over 96% of the population speaks it. Minority languages such as Samoan, Hindi, Chinese, and French, coexist with the official languages. It is estimated that around 19% of the population are capable to speak more than one language. (New Zealand Shores 2023.)

Technological Environment

Ranking in the top 20 countries internationally for network coverage, 5G deployment, and internet speeds, New Zealand's advanced digital infrastructure showcases expertise in fintech, health IT and digital and creative technologies with an annual revenue of approximately 5 billion EUR (8.18B AUD, 8.7B NZD, 302.57B PHP). The information, communications, and technology (ICT) sector in the country comprises around 7 500 organisations. (International Trade Administration 2022) In 2021, 94% of New Zealand's population had access to the internet and were active users (Statista 2023).

It is imperative for New Zealand to safeguard the digital assets from unauthorized access and cyber threats due to the country's heavy dependence on cyberspace. The increasing use of the internet exposes the country to potential harm from malicious individuals despite being geographically isolated. The country engages in collaboration with international partners to exchange threat intelligence and establish robust cyber defence mechanisms to address the risks. Additionally, New Zealand contributes to enhancing global cyber security capability, with a particular focus on the Pacific region. (New Zealand Foreign Affairs & Trade 2023.)

Legal Environment

The employment law in New Zealand covers various aspects, including the employees' minimum rights and the responsibility of the employer, like matters related to leave, and wage. Under the employment law minimum entitlements of

leave for an employee are 4 weeks of paid leave per year, 11 public holidays per year, 10 days of paid sick leave, 52 weeks of parental leave and unpaid jury duty leave. Wage related laws require employers to pay relevant minimum wage, and overtime per hour, make payments in cash and offer time and a half payment for work on public holidays. These minimum rights apply across employment agreements and relationship issues, in pay and employment equity, for fixed-term employees, flexible working arrangements, trial periods and unions. (Employment New Zealand 2021.)

To document expectations in writing to maintain consistency, eliminate ambiguity, align workplace policies with employment agreements, and foster effective policy development through communication and consultation with employees, it is essential that job descriptions, employment agreements, policies, procedures, manuals, rules, codes, and guidelines are used to establish clear and consistent expectations for employees across different channels (Employment New Zealand 2023).

Environmental Environment

New Zealand is the south westernmost part of Polynesia located in the South Pacific Ocean. Its nearest neighbour Australia is located approximately 1600 km northwest (Dalziel, Blyth, Sinclair, Moran, Vowles & William 2023). Located at the convergence of the two tectonic plates, the Pacific and Australian Plate, New Zealand is a site of intense geological activity due to the two plates colliding into each other (100% Pure New Zealand 2023). Situated within a seismic zone, New Zealand is prone to earthquakes, which can be accompanied by the possibility of tsunamis along its coastlines. The country is also home to several active volcanoes, flooding and landslides, which can cause road closures, infrastructure damage and incidents. (GOV.UK 2023.)

The changing climate can affect the health of New Zealanders with hot temperatures and heatwaves, which can cause tropical diseases to become more popular. Not only people's health but also their homes and communities

may be impacted by natural disasters, rising sea-levels, and coastal erosion due to climate change. (NIWA 2023)

In the New Zealand summertime, due to daylight savings, New Zealand is 13 hours ahead of Greenwich Mean Time (GMT), and in the wintertime 12 hours ahead of GMT (100% Pure New Zealand 2023). The time difference is 2 hours with New Zealand ahead compared to Victoria and South Australia.

Queensland, the Northern Territory, or Western Australia do not use daylight savings, and therefore the time difference to New Zealand depends on the time of the year. In the wintertime, Western Australia is 4 hours behind New Zealand. (Buckle & Gundersen.)

4.2 SWOT Analysis on New Zealand as the offshoring destination

The analysis of New Zealand as the destination country for Company X to outsource the company's Human Resource functions will use a SWOT analysis framework. Strengths, weaknesses, opportunities, and threats are covered by this framework.

Strengths

New Zealand's top ten education system in the world and the 65% of population with a tertiary education gives the country a competitive advantage in being a great destination for outsourced skilled workforce. For managers the similar employment laws, regulations and the free trade agreement between New Zealand and Australia makes it easier to manage employees. With this New Zealand employees' work-life balance and employment expectations would match what the Australian company can offer. The similarities in laws and regulations between the two countries effectively reflects their close relationship and geographical distance from each other. The minor time difference between New Zealand and Australia makes working across the borders effortless.

Weaknesses

The average annual salary in New Zealand is slightly lower than Australia's but the difference is not substantial. This does not make New Zealand the most cost-effective option for outsourcing workforce. The country is currently experiencing a shortage of workers, so finding skilled employees to work for an Australian company could be a challenge.

The aging population in the country means that funds will have to focus on the healthcare of the elderly, and constantly decreasing the number of working-aged people will get less of that health care budget. Compared to the Philippines, New Zealand has a considerably smaller population and therefore less people in the working age.

Cyber threats and unauthorised access faced by New Zealand can be considered a potential risk when outsourced employees need to access an Australian company's data and systems.

Opportunities

Due to the transparent government, democratic institutions and low levels of corruption, New Zealand has a stable political reputation globally. The stable political and open economic environment creates a safe base for offshoring business. Both being part of the Commonwealth creates a stronger relationship between the two countries and businesses in each country.

Threats

Where the geographical location of the country is an advantage due to being close to Australia, it may create future risks being a small island. In addition to that, the natural disasters increase the safety risk of the people and infrastructure.

4.3 Risk Analysis on New Zealand as the offshoring destination

Political and Legal Risks:

New Zealand's political stability with low corruption levels and democratic government presents no risk to offshoring HR roles there. 0 points.

Economic Risks:

The emigration numbers are extremely high considering the small population in New Zealand. This presents a risk of a fleeing workforce and offshored employees. Due to the shortage of workers, the wages and interest rates have been raised. +2 points.

Infrastructure Risks:

New Zealand has an advanced digital infrastructure and a widely accessible internet connections across the country which reaches 94% of the population. All the digital infrastructure, housing, and other infrastructure are at risk, specifically on the coast, because of the earthquakes, tsunamis, active volcanoes, flooding, and landslides the country is prone to. +1 point.

Cultural and Language Risks:

The majority of the New Zealand population speaks English, one of the three official languages in the country, and this does not risk effective collaboration for offshored roles. An impressive 65% of the population holds a tertiary education qualification, which shows the study and work ethic of the population. 0 points.

Data Security and Privacy Risks:

New Zealand experiences high risks of privacy and data security due to the heavy dependence on cyberspace. +1 point.

Time Zone and Distance Risks:

Time difference between New Zealand and Australia is unsubstantial as it is only 2-hours. This should not affect the communication and coordination of work. The country is only 1600 kilometres from Australia. 0 points.

Infrastructure Risks	Economic Risks	
Political and Legal Risks	Data Security and Privacy Risks	
Cultural and Language Risks	Time Zone and Distance Risks	

Figure 4. Risk analysis on New Zealand as the offshoring destination.

With this risk analysis New Zealand got 4 points altogether, out of maximum of 24 points. In addition to the points, the risk matrix in Figure 4 represents where each risk category places on the low risk – high risk, probability – impact scale.

5 Outsourcing to the Philippines

5.1 PESTLE Analysis on the Philippines

Political Environment

The government of the Philippines is led by a president, but the three branches of the government, executive, legislative, and juridical, share the power equally. In a presidential system of government, the division of power, roles, and responsibilities holds great significance. Legislative power is assigned to Congress. The Executive branch is responsible for the execution, and legal controversies are settled by the judiciary. (Official Gazette 2023.) The recent presidential election in May 2022, saw Ferdinand “Bongbong” Marcos Jr.

emerge as the new president of the Philippines with favourable congressional results that is estimated to maintain political stability in the country (Economic Intelligence 2023). President Marcos Jr.'s intentions as a president are to lower consumer prices, support the farmers of Philippines, and through nuclear energy and renewable energy develop the country's future energy security. The challenges the Philippine government faces are lack of due process, checks and balances, systemic corruption, deficient oversight and regulatory institutions, and a criminal justice system that is overburdened and known for slow court procedures. The western and central regions of Mindanao occasionally get attacked by terrorist groups who target and kidnap civilians and engage in armed attacks against government security forces. (International Trade Administration 2022.)

Out of the economies in East Asia and Pacific, the economy in the Philippines stands out as one of the most vibrant ones. Due to an increase in private domestic consumption and fixed investment, the country's GDP in 2022 experienced an estimated 6.5% increase. The GDP is expected to be around 6% in 2024, after experiencing a slight decrease to 5% in 2023. Several key factors, like including robust fundamentals, an ambitious workforce, a balanced job market, steady remittances, and substantial investments in the construction sector have been driving the economy's advancement. (Mauritius Trade Easy 2023.)

Taxable income in the Philippines						Tax on column 1			Tax on excess (%)
Over			Not over			PHP	AUD	EUR	
PHP	AUD	EUR	PHP	AUD	EUR				
0	0	0	250000	6762.24	4165.54	-	-	-	0
250000	6762.24	4165.54	400000	10819.58	6664.86	-	-	-	15
400000	10819.58	6664.86	800000	21639.17	13329.73	22500	608.60	374.90	20
800000	21639.17	13329.73	2000000	54097.92	33324.32	102500	2772.52	1707.87	25
2000000	54097.92	33324.32	8000000	216391.67	133297.27	402500	10887.21	6706.52	30
8000000	216391.67	133297.27				2202500	59575.33	36698.40	35

Table 3. Tax rates on personal income in the Philippines (PwC Philippines 2023).

According to the PwC personal income in the Philippines for residents can be categorised in six different tax brackets (PwC Philippines 2023). According to the PwC Philippines, the average annual salary is not high enough to get taxed.

As the average annual salary is 3 296.31 EUR (5 351.15 AUD, 5 688.27 NZD, 197 832 PHP). (Philippine Statistics Authority 2023.)

Economic Environment

The Philippine economy relies on a range of industries, including food processing, cement production, iron and steel manufacturing, and telecommunications, in addition to others. Accounting for 61% of the GDP and employing 58% of the workforce in the country, the tertiary sector has seen a significant growth, specifically in telecommunications, call centres and finance. Attracting investments in human resource development, design, R&D, finance, and infrastructure are some of the government goals for the sector. (Mauritius Trade Easy 2023.)

A significant rise in unemployment rates, an anticipated inflation rate of 5.1% by 2023, increasing policy rates, complexities in import and export operations, and the weakening of the Philippine peso against the American dollar, are some of the key challenges the Philippines are facing. By 2024, travel and hospitality are expected to return to the same level as before COVID-19 pandemic. The increase in the interest rates and rising inflation will test the Philippines' financial services sector in 2023. (Canto, Parel, Romano & Villanueva 2023.)

In March 2023, the unemployment rate in the Philippines was 4.7%. The number of employed people the same month was approximately 48.58 million, which was an increase of 1.61 million from the year before. In 2020, the country experienced its highest recorded unemployment rate since 2019, standing at 10.3%. (Philippine Statistics Authority.) The minimum working age in the Philippines is 15 years of age, and for hazardous jobs it is 18 years (Official Gazette 2023). The normal average retirement age in the country is 65 years, and 60 is considered an early retirement age (OECD iLibrary 2023). However, in 2023 the House of Representatives approved a bill to lower the optional early retirement age to 56 years instead of 60. This bill is hoped to increase the average life expectancy, which is rather short in the Philippines. (House of Representatives 2023.)

According to the Philippine Statistics Authority, out of the 190 occupations monitored across industries, the average monthly salary rate for full-time time-rated workers was recorded at 274.69 EUR (445.93 AUD, 474.02 NZD, 16 486 PHP) in 2020, and this makes the average annual salary 3 296.31 EUR (5 351.15 AUD, 5 688.27 NZD, 197 832 PHP). (Philippine Statistics Authority 2023.) In 2018, the annual family income was 5 215.26 EUR (8 466.32 AUD, 8 999.70 NZD, 313 000 PHP) on average, which was significantly lower than in 2020 (Philippine Statistics Authority 2019).

Social Environment

In 2021, the majority of the population in the Philippines (64.04%) was 15 to 64 years old. The percentage of 65 years and older was only 5.33% in 2021, which is an increase from 2011, when the number was only 4.33. (Statista 2023.) The Philippine's annual population growth experienced a decline in 2021, down to 1.49% compared to the previous year, when it was 1.63%. Fertility, mortality, and migration are factors that affect the annual growth in population. (Statista 2023.) Despite the decline in the annual population growth, the Filipino population is expected to increase and climb to approximately 119.1 million people by 2028, from approximately 111.57 million recorded in 2022. For years now, the fertility rate has been decreasing simultaneously while the death rate has been rising. This has long term affects in the annual population growth. Healthcare in the Philippines is not able to keep up with the aging population due to the lack of resources as well as high rates of tuberculosis, infectious diseases and non-communicable diseases that are often causes of deaths in the country. (O'Neill 2023.)

Led by the Philippine Department of Education and the Philippine Commission on Higher Education, the country moved to a K-12 education system that enables international education institutions to promote the degree programs and universities to prospective graduates. The number of higher education institutions in the Philippines is 1 949, and in 2019 the student enrolment for private institutions was 1.8 million and 1.6 million for public. The tertiary education fees are free through the Quality Tertiary Education Act. According to UNESCO, the country had 22 709 students studying overseas in 2022.

(International Trade Administration 2022.) In 2019, 82.39% of the over 25-year-old Filipinos had attained or completed primary education; 71,23% had attained or completed lower secondary education; 30;46% attained or completed upper secondary education, and 24.41% attained or completed a bachelor's degree or equivalent (Index Mundi 2019).

The Philippines is the home to over 120 different languages. The three official languages of the country are Filipino, English, and Filipino Sign Language. The national language, also used in formal education, is Filipino, which is a standardized form of Tagalog. English is often used as the governmental language. (Translators without Borders 2023.)

Technological Environment

The Philippines' information and communications technology (ICT) industry is experiencing significant expansion driven by substantial investments from private and public sectors, increased consumer spending, and growing demand for enhanced services. On March 21, 2022, the former President of the Philippines, Duterte, signed an amendment to the Public Service Act (11659), allowing full ownership of the public services, including Telecommunications, going to foreign owners to provide extended support. (International Trade Administration 2022.)

In 2021, 52.8% of the Philippine's population had access to the internet and were active users. The number is expected to be 73.93% by the year 2028 (Statista 2023). The limited data protection measures in the Philippines, as well as the technologically advanced population capable of hacking, make the country vulnerable to cyber-attacks and incidents. According to a survey completed in February 2020, investments in cybersecurity solutions were increased by 43% of private companies. Eighty-six percent of these companies utilize anti-malware and antivirus tools; 59% use next-generation firewalls, and 47% are looking into investing in security by cloud-native. The growing demand for IT services by middle class and young Filipinos benefits premium brands in technology-related expenditures. (International Trade Administration 2022.)

Legal Environment

The employment landscape in the Philippines is largely for labour instead of for management. This makes the laws more beneficial for the employees. The constitution, statutes, treaties and conventions, and juridical decisions are the main sources for the Philippine law. The statute that regulated employment relationships is the Labour Code, also known as the Code. To employ local workers in the Philippines, foreign employers are not required to set up a local entity. Instead, they can secure a licence or set up a branch to do business. (Laman, Pantaleon & Jose 2020.)

Every employee is entitled to basic rights, which are compiled by the Department of Labour and Employment's staff department, the Bureau of Working Conditions. The basic rights include equal work opportunities, wage for all worked hours, night shift pay, and overtime pay, and at least one weekly rest day after six workdays. In addition to these basic rights, the employee wages are required to be paid at least every 16 days, and payments must be paid in cash, legal tender or via bank, directly to the employee. Unless the work is allowed by certain rules, the employee rights in the Philippines prohibits women from working at night. One of the basic employee rights is for employers to ensure safe working conditions with protection against injury, illness, or fatality while on the job. (Official Gazette 2023.)

The relationship between the Philippines and Australia is a trusting and cooperative longstanding partnership that covers defence, security, development, increasing trade and investment. The two countries are committed to supporting each other with the response to COVID-19 and the countries' economic recovery by endorsing a Plan of Action in August 2021. Trade and investment, cultural exchange, education, tourism, and migration have formed strong connections between Australians and Filipinos. This can be seen in the Australian population, as over 400 000 Australians have a Filipino background. (Australian Government DFAT 2023.)

Environmental Environment

The Philippines is located in Southeast Asia. It is composed of 7 107 separate islands and over 36 000 kilometres of natural coastline. The country has only three major geographical areas: Luzon, Mindanao, and Visayas. The Philippines is surrounded by the South China Sea, the Philippine Sea, the Sulu Sea, the Celebes Sea, and the Luzon Strait. The terrain is mainly mountainous and home to several volcanoes, some of which are regularly active. The tropical climate provides dry summer seasons and drenching wet winters. The major natural hazards in the country are landslides, volcanoes, destructive earthquakes, and tsunamis (Country Reports. 2023) The capital city of Philippines, Manila, is 2 hours behind in time of Melbourne, Australia (Time and Date 2023).

In 2023, Philippines' main environmental issues are pollution: air, plastic, and marine pollution, as well as the rise in sea levels. The main cause of air pollution in the country comes from the burning of burning fossil fuels like coal and oil due to half of the population not having access clean fuels and technology for cooking. The country generates 2.7 million tons of plastic waste annually. This is partly the fault of insufficient waste management system as well as the significant consumption of single-use plastics. Out of the 2.7 million tons of plastic waste, approximately 20% ends up in the sea and with that the country is considered the third largest marine plastic contributor in the world. Sea level rise is one of the indicators that got Philippines to the top of the 2023 World Risk Index. If the trend continues, Manila is expected to disappear under water by the year 2100. (Raji 2023.)

5.2 SWOT Analysis on the Philippines as the offshoring destination

A SWOT analysis framework is used to analyse the Philippines as the destination country for Company X to outsource its Human Resource functions.

This framework identifies the strengths, weaknesses, opportunities, and threats of the destination country.

Strengths

The Philippines has a significant sector in telecommunications and human resources, offering a substantial advantage in sourcing ideal talent for these outsourced roles. The average annual salary in the country is significantly lower than in Australia, making it a cost-effective option for offshoring.

Today, most of the country's population is between the ages of legal working age and retirement age, and with the predicted population growth the numbers should stay the same.

Weaknesses

Even though English is one of the official languages in the country and used with the government, it is not guaranteed that every employee appropriately skilled in human resources is fluent in English, as there are 120 other languages the Filipino people speak.

The country is in risk of being exposed to cyber-attacks and incidents. Despite the technologically advanced population, only 52.8% of the population had access to the internet in 2021. However, the large population of the Philippines may be an advantage. It can also be a weakness due to the government being extremely stretched to take care of every individual.

Opportunities

Philippines has the most vibrant economy of the economies in East Asia and Pacific. The average costs in the country make it a great partnering country for Australia to offshore roles to.

Threats

Challenges in the financial sector are due to the increase in interest rates and inflation rising. The weakening of the Philippine peso against the American

dollar is a threat to the country. The employment laws in the country differ from New Zealand's and Australia's, which may make offshoring there challenging.

5.3 Risk Analysis on the Philippines as the offshoring destination

Political and Legal Risks:

The recent presidential election is predicted to maintain the country's political stability with the intentions to lower consumer prices, support Philippine farmers, and develop the country's future energy security. However, occasionally the country's western and central regions are targets of terrorist attacks that presents a risk to the population and tourists. +1 point.

Economic Risks:

The economy is one of the most vibrant ones in East Asia and the Pacific. The reasons for this are strong fundamentals, a workforce that is motivated, a well-balanced job market, steady remittances, and significant investments in the construction sector. The motivated workforce and large population present a low risk for offshoring. The country's average salary is low, making it a cost-effective option for Company X to offshore to. 0 points.

Infrastructure Risks:

Internet infrastructure and connection only reaches approximately 50% of the Philippine population. This is a relatively low number compared to New Zealand. Natural disasters, like landslides, volcanoes, earthquakes, and tsunamis, are not uncommon in the country either due to the thousands of islands the country consists of or the partly mountainous terrain. +2 points.

Cultural and Language Risks:

The work ethic in the Philippines is strong, and the low unemployment rate is a good representation of it. Out of the three official languages English is used as a government language; however, Filipino is the main spoken language. This may cause some issues for offshored roles if employees do not speak English at a proficient level. +1 point.

Data Security and Privacy Risks:

With the population becoming more advanced with technology, the country is at risk of cyber-attacks and incidents. The Philippines has limited data protection measures. +2

Time Zone and Distance Risks:

The time difference between the Philippines and Australia does not raise a risk to offshoring roles, as the time difference is only 2 hours. 0 points.

Cultural and Language Risks	Data Security and Privacy Risks	
	Political and Legal Risks	Infrastructure Risks
Time Zone and Distance Risks	Economic Risks	

Figure 5. Risk analysis on the Philippines as the offshoring destination.

Risk Matrix:

With this risk analysis the Philippines got 6 points altogether out of maximum of 24 points. In addition to the points, the risk matrix in Figure 5 represents where each risk category places on the low risk – high risk, probability – impact scale.

6 Comparison

In this chapter, the two countries are compared to each other. Based on the criteria Company X has set for outsourcing the roles overseas, both countries will be assessed. Only one country will receive a plus or minus for each category, and the country with more pluses will match the case company's criteria better.

	New Zealand	Philippines
POLITICAL	+	-
ECONOMIC	-	+
SOCIAL	-	+
TECHNOLOGICAL	+	-
LEGAL	+	-
ENVIRONMENTAL	+	-
STRENGTHS	+	-
WEAKNESSES	+	-
OPPORTUNITIES	+	-
THREATS	-	+

Table 4. Comparison on the two countries based on their matching to the case company's criteria.

According to the comparisons in Table 4, New Zealand is the better match for Company X for offshoring the HR roles. The Philippines was a better match in terms of cost-effectiveness and work ethic, but overall and in the long term with the information presented in this thesis, New Zealand is a better match for Company X to offshore its roles.

	Political and Legal Risks	Economic Risks	Infrastructure Risks	Cultural and Language Risks	Data Security and Privacy Risks	Time Zone and Distance Risk	Total
New Zealand	0	2	1	0	1	0	4
Philippines	1	0	2	1	2	0	6

Table 5. Risk analysis points summed for both countries.

According to the risk analysis and Table 5 summing the points, New Zealand is the less risky option to offshore roles to. The risks detected in the analysis prove that the Philippines presents more risks for the future of offshoring.

7 Conclusion

With the assistance of PESTLE and SWOT analyses, New Zealand and the Philippines were evaluated by their political, economic, social, technological, legal, and environmental environments, and their strengths, weaknesses, opportunities, and threats were determined. The risk matrix was used to assess the risks of offshoring each country holds. The major research questions were determined in the beginning of this thesis.

What are the benefits of outsourcing Human Resource functions?

Outsourcing human resource functions has several advantages, some being cost effectiveness and lower administration costs, and need for expertise and advanced technology. Outsourcing tasks externally allows the company's resources to focus on other high-level responsibilities. With the cost effectiveness of outsourcing, companies are enabled to allocate their funds elsewhere to foster business growth.

Which country New Zealand or the Philippines, is more favourable for offshoring an HR workforce from Australia?

Based on the analysis and findings, the more favourable country for offshoring HR workforce overall is New Zealand. The country had a better competitive advantage in various areas, specifically the long term economic and political stability. Even though New Zealand had a better overall outcome, the

Philippines would be a more cost-effective country to offshore an HR workforce to.

What are the risks of offshoring HR functions to each country?

Offshoring to New Zealand holds the risk of losing skilled workforce to emigration, as well as the higher average salary than the Philippines has. Due to New Zealand not being a profitable choice for offshoring, it presents a risk of not meeting the advantages of offshoring. The main risks of offshoring to the Philippines were the risks of the country's political and economic stability, as well as the environmental threats. Climate change plays a significant part in the threat to the country's future.

7.1 Recommendations

Outsourcing human resource functions has various benefits, the main ones being the cost-effectiveness of it, bringing experts in their field onboard to complete the required tasks, and freeing resources in the business for other important tasks.

Based on the PESTLE, SWOT, and Risk analyses, both countries were evaluated for suitability for offshoring roles. New Zealand is more favourable for offshoring an HR workforce from Australia based on several different factors presented in this thesis. Both countries present risks for offshoring, but in terms of countries' political and economic stability, and data security, New Zealand presents lower risk than the Philippines.

The recommendation for Company X is to carefully consider offshoring to any country. New Zealand is the recommended destination country for offshoring based on this research; however, when weighing the criteria Company X has set, and with cost-effectiveness being one of the most important criteria, New Zealand is unable to compete with the Philippines.

7.2 Limitations

Although this thesis incorporates carefully selected resources and an in-depth immersion in the topic, it is crucial to acknowledge its limitations. The limitations of this thesis were the use of secondary data, and the lack of data on some areas and specifically of the Philippines. The assumption is that English material and data is easier to find; therefore, the material on New Zealand was more accessible than that on the Philippines.

The immersion in this topic had its limitations with the details in certain areas, and they should be covered by Company X before committing to an offshore agreement with one of the countries and any third-party vendors. It is important for Company X to plan thoroughly, communicate, and address the challenges prior to offshoring.

To summarise, this thesis evaluates the possibility of offshoring HR functions to either New Zealand or the Philippines from Australia. Based on the research covered in this thesis, New Zealand appears to be the better option for offshoring.

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