Brazil becoming a Global Competitor in the IT Industry

Maps

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Background

- Information technology is a rapidly growing service all around the world amongst many countries like India and China
- India has the most superior and leading IT outsourcing network due to attaining the largest share from additional countries
- Due to the rapid growth of IT outsourcing, Brazil has decided to become a competitor in the IT sector
- Pros and Cons for Brazil becoming a competitor

Situation

- Brazil has begun to rival India as an up-incoming country in the IT outsourcing industry
- Benefits for Brazil
  - Market Growth
  - Turnover Rate
- Benefits for India
  - Cheaper Labor
  - Less Communication Barrier

Main Objectives

Small outsourcing sector

Telecommunication and network service infrastructure

Size of domestic market for IT

Job market and crime

Culture and values

Education

Electrical Generation

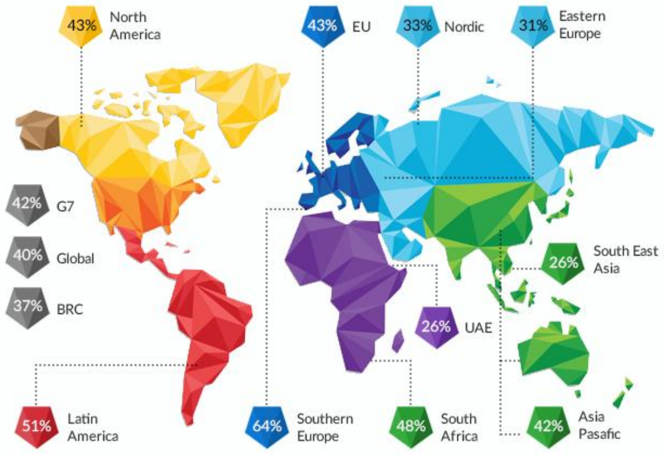
Time zone and currency

Assessing Alternatives: Pros

- Growth in the Brazilian IT market
  Brazilian government investing in technology
- Forecasts show IT growth will continue to rise
- Imports and exports are 24.1% of the GDP of $3.2 trillion
- Tariff rate is 8.0%

Assessing Alternatives: Cons

- Less of a language barrier in India due to a larger english speaking population
- India is a much cheaper labor source than Brazil
- Underinvestment in electrical generation
- Unstable currency in Brazil
- 118 billion outsourcing market in India
- 6.7% growth rate in India
- 6.5% tarifs



Brazil vs India Labor Statistics

Brazil, selected international labor statistics, 2010–12

Indicator	Unit	Report	Time Series	2010	2011	2012
Hourly compensation costs in manufacturing						
Hourly compensation costs	U.S. dollars	HTM	XLS	10.01	11.67	11.20
Hourly pay for time worked	U.S. dollars	HTM	XLS	5.38	6.20	5.95
Hourly directly paid benefits	U.S. dollars	HTM	XLS	1.43	1.64	1.58
Hourly social insurance expenditures and labor-related taxes	U.S. dollars	HTM	XLS	3.20	3.83	3.67
Labor market						
Employment-population ratio - Total	Percent of civilian working-age population	HTM		64.8	–	–
Labor force participation rate - Total	Percent of civilian working-age population	HTM		69.9	–	–
Labor force participation rate - Men	Percent of civilian working-age population	HTM		81.0	–	–
Labor force participation rate - Women	Percent of civilian working-age population	HTM		59.4	–	–
Women's share of the labor force	Percent of civilian labor force	HTM		43.6	–	–

SOURCE: U.S. Department of Labor, U.S. Bureau of Labor Statistics, Division of International Labor Comparisons.

Table 1. Average Hourly Compensation Costs in India's Organized Manufacturing Sector, 1999-2010

	Average hourly earnings in rupees (hourly pay for time worked)		Hourly compensation in rupees		Hourly Compensation in U.S. dollars	
YEAR	All employees	Production Workers	All employees	Production Workers	All employees	Production Workers
1999	20.86	16.17	29.43	22.68	0.68	0.53
2000	22.74	17.16	31.68	23.75	0.70	0.53
2001	23.99	17.78	33.65	24.77	0.71	0.52
2002	25.20	18.48	35.36	25.73	0.73	0.53
2003	26.86	19.27	37.68	26.81	0.81	0.58
2004	27.88	19.78	38.55	27.10	0.85	0.60
2005	29.44	20.42	40.02	27.49	0.91	0.62
2006	31.76	21.57	43.07	28.94	0.95	0.64
2007	35.90	23.74	48.30	31.57	1.17	0.77
2008	41.06	26.22	54.76	34.54	1.26	0.80
2009	44.77	28.67	59.72	37.77	1.24	0.78
2010	51.00	32.37	66.84	41.87	1.46	0.92

Note:
Pay for time worked is primarily base wages and salaries, overtime pay, regular bonuses and premiums (paid each pay period), and cost of living adjustments.
Compensation costs include pay for time worked, directly-paid benefits (excluding payment in kind), social insurance expenditures, and labor-related taxes.
See the technical notes at www.bls.gov/ilc/ichcctn.pdf for complete definitions.
Source: U.S. Bureau of Labor Statistics, International Labor Comparisons

Recommendation

- India to remain the main outsourcing country
- India is the most established IT country
- India still has the cheapest labor for the information technology industry
- Significant cost savings that companies can achieve

Drawing a Conclusion

- India for years has been the main country
  - Companies like Google, IBM, Oracle, and more; have switched from outsourcing in India to Brazil.
- Having the same time zone as America makes for easier communication between companies.
  - More efficient business

Drawing a Conclusion (cont.)

- Brazil's language Barrier compared to Indian
  - Implementation of their federal investment in the English language.
- Brazil is increasingly growing in the system, but still has much ground to cover to get to near the level of India in the information technology industry.

Drawing a Conclusion (Questions)

So would companies should outsource their IT to Brazil or India? Why?

Do you think it is beneficial to have IT systems in the same time zone?

THANKS!

Any questions?

Kahoot Time!

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