

Why a \$0.04 AI Task Is Quietly Killing a \$250 Billion Industry

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Explanation (Ages 14–18)

An AI model costing four cents per task is about to vaporize \$2.85 billion in human labor – and the company selling that AI captures less than 1% of the value it destroys.

What's Going On?

For decades, India and the Philippines built massive industries around what's called Business Process Outsourcing, or BPO. Workers in Manila and Bangalore read messy emails, police reports, doctor's notes, and invoices, then type the relevant information into corporate databases. They are, essentially, a human bridge between unstructured data (random documents) and structured data (clean spreadsheet rows).

AI models like Anthropic's Claude Haiku can now do this conversion in under a second for about four cents per task. A human in India costs roughly \$2.00 per task. The author argues that across just two use cases – banking trade breaks and insurance claim parsing – AI could displace \$2.85 billion in annual human labor while costing only \$26 million in compute. That's roughly 142,500 jobs.

How To Think About It

Think of this as the gold-rush principle applied to AI: when everyone's mining for gold, the people who get rich aren't the miners – they're the ones selling shovels.

- It's like Spotify and music streaming: streaming destroyed billions in CD and download revenue, but Spotify itself only captures a tiny slice – most value flowed to consumers (cheaper music) and to the platform infrastructure layer.
- Or think of bank tellers after the ATM: the technology didn't just speed up tellers, it eliminated the need for most of them, and the bank – not the ATM manufacturer – pocketed nearly all the savings.

Key Things To Know

- The Philippines' BPO sector employs 1.82 million people and generates 8-9% of national GDP – Fitch Solutions has warned AI could 'invalidate' the country's economic strategy.
- The author's '93/7/2 framework': 93% of back-office tasks are already automated, 7% need human judgment today, and AI will shrink that human slice to roughly 2%.
- Model providers like Anthropic, OpenAI, and Google capture less than 1% of the labor value they destroy – but they sit underneath every industry, so the small slice adds up to billions.
- Large IT contracts are 3-5 years long, so the pain hits as pricing pressure first (clients demanding 20-40% rate cuts at renewal) and as layoffs only when contracts roll off in 2027-28.
- Most people assume voice AI is the bigger threat to outsourcing – but the author argues non-voice work, the supposedly 'safe' fallback, is actually more vulnerable.

Why It Matters

If you're considering a career in tech, finance, consulting, or any office-based field, this is your reality check: the work that once required armies of entry-level analysts – reading documents, extracting data, filling forms – is the first thing AI eats. The jobs that survive will require judgment, client

relationships, or the ability to build the AI workflows themselves. For students in India, the Philippines, or anywhere with a large outsourcing economy, the macroeconomic stakes — currency, real estate, family remittances — are personal.

The Bigger Picture

Historically, every automation wave — looms, ATMs, spreadsheets — destroyed specific jobs but created new categories of work. The open question is whether AI follows that pattern or compresses the timeline so brutally that whole national economies can't adjust. Watch for second-order effects: real estate prices in Makati and Bangalore tech corridors, the rise of 'AI wrapper' startups charging \$1-2 per task for what costs them \$0.04, and political pressure on governments to regulate AI deployment in services. The companies — and countries — that pivot from selling labor to selling AI-augmented judgment will survive. The rest become Gaitonde.

2. Key Terms Glossary

BPO (Business Process Outsourcing)

The practice of hiring outside firms — usually in lower-cost countries — to handle business tasks like customer service, data entry, or document processing. 'Non-voice' BPO refers to text and document work, as opposed to call-center voice work.

Unstructured vs. structured data

Structured data is information neatly organized in rows and columns (like a spreadsheet). Unstructured data is messy — emails, PDFs, handwritten notes, photos. Computers historically struggled with the latter; modern AI doesn't.

Straight-through processing

When a transaction flows from start to finish without any human intervention — the software handles everything automatically using preset rules.

Trade break

In banking, a mismatch between two parties' records of the same trade — for example, the buyer says they bought 1,000 shares but the seller's system shows 1,100. Someone has to investigate and reconcile it.

FTE (Full-Time Equivalent)

A unit measuring one full-time worker's labor. Saying '142,500 FTEs replaced' means the equivalent of that many full-time jobs eliminated, even if the actual headcount differs.

Margin compression

When a company's profit per dollar of revenue shrinks — usually because costs rise or prices fall while the other stays put. A classic warning sign for investors.

AI wrapper company

A startup that doesn't build its own AI model but builds a specialized product on top of someone else's model (like Anthropic's or OpenAI's), adding industry-specific features, compliance, and workflow integration.

Model distillation

An AI technique where a large, expensive model 'teaches' a smaller, cheaper model to perform nearly as well — driving down the cost of running AI at scale.

Inference

The act of running an already-trained AI model to get an output (an answer, a classification, extracted data). Each inference has a small compute cost; at billions of tasks, those costs aggregate.

3. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. Which choice best states the central idea of the passage?

- A) AI will eliminate all white-collar work within the next five years across most major industries.
- B) AI is shifting back-office labor value to enterprises and infrastructure providers, devastating BPO firms.
- C) Anthropic and OpenAI will become the most profitable companies in the global technology sector.
- D) The Philippines should diversify its economy away from outsourcing toward manufacturing and tourism.

Q2. According to the passage, why does the author claim the Philippines is more vulnerable than India to this disruption?

- A) Filipino workers are less skilled at handling unstructured documents than Indian workers are.
- B) BPO is a far larger share of GDP and hiring decision-makers tend to favor Indian retention.
- C) The Philippines has refused to invest in AI training programs for its existing BPO workforce.
- D) Indian firms have already migrated entirely to AI-enabled services and consulting work.

Q3. According to the passage, what does the '93/7/2 framework' describe?

- A) The percentage of global GDP generated by outsourcing in three different regions of the world.
- B) How transactions split between automated, human-handled, and AI-handled processing in BPO.
- C) The growth rate of AI model providers compared to traditional software companies' revenues.
- D) The cost ratio between Indian, Filipino, and onshore American back-office labor markets.

Q4. As used in the passage, the word 'capture' most nearly means

- A) to seize physically or take into custody by means of force.
- B) to record or preserve a fleeting moment in writing or images.
- C) to receive or retain a portion of available economic value.
- D) to attract attention or hold someone's interest in a topic.

Q5. As used in the passage, the word 'siege' most nearly means

- A) a prolonged military blockade aimed at forcing a city's surrender.
- B) sustained competitive pressure threatening an industry's viability.
- C) a coordinated public protest against an established institution.
- D) the formal regulatory investigation of a private company's practices.

Q6. Which statement about model providers like Anthropic can most reasonably be inferred from the passage?

- A) Their long-term profitability depends on dominating one single high-value vertical industry.
- B) They will eventually compete directly with banks and insurers for end-customer relationships.
- C) Their position strengthens as inference costs fall and adoption broadens across industries.
- D) They are likely to be regulated out of existence within the next decade by global authorities.

Q7. The passage suggests that large-cap IT services firms will experience disruption in which sequence?

- A) Immediate mass layoffs followed by gradual recovery through new AI-enabled service lines.
- B) Pricing pressure first, then headcount reductions as multi-year contracts expire and renew.
- C) Stock price collapse first, then rapid acquisition by larger American technology platforms.
- D) Regulatory intervention first, then forced restructuring under government-mandated terms.

Q8. The author's tone throughout the passage is best described as

- A)** cautiously optimistic about workers' ability to retrain for AI-augmented roles.
- B)** analytically blunt, treating mass labor displacement as inevitable and quantifiable.
- C)** morally outraged at technology companies profiting from widespread unemployment.
- D)** academically neutral, presenting balanced evidence on both sides of the debate.

Q9. Which conclusion about the economic value created by AI disruption can most reasonably be drawn from the passage?

- A)** It is destroyed entirely, with no party benefiting from the elimination of human labor costs.
- B)** It accrues mainly to AI model providers, who capture nearly all displaced labor value.
- C)** It is redistributed, with enterprises and AI-wrapper firms capturing most of the savings.
- D)** It returns to displaced workers through government-funded universal basic income programs.

Q10. Which choice provides the best evidence for the answer to the previous question?

- A)** 'AI provider revenue capture <1% of value destroyed... Read that last line again.'
- B)** 'The economic value doesn't disappear – it redistributes... Enterprises capture the lion's share.'
- C)** 'A Haiku-class model... can read a trade break email chain... in under a second, for \$0.04.'
- D)** 'Fitch Solutions has warned that AI could invalidate the Philippines' current economic strategy.'

My Score: _____ / 10

4. Answer Key with Explanations

Q1. Which choice best states the central idea of the passage?

Answer: B

The passage's core argument is that AI converts unstructured to structured data cheaply, and the displaced labor value flows mainly to enterprises and model providers, while BPO incumbents collapse. A overstates the scope (the article focuses on back-office BPO, not all white-collar work) – that's TRAP A: right scope, wrong direction of magnitude. SAT Tip: the central idea is the claim that ties together the most paragraphs – if an option is only supported by one section, it's a detail, not the main idea.

Q2. According to the passage, why does the author claim the Philippines is more vulnerable than India to this disruption?

Answer: B

The passage states BPO is 8-9% of Philippine GDP versus a smaller share in India's diversified IT-BPM sector, and that hiring leaders are 'overwhelmingly Indian,' tilting retention decisions. D is wrong because the article says top-tier Indian firms 'are already repositioning' – not that they've fully migrated – making it TRAP B (right vocabulary, wrong combination). SAT Tip: when a question asks 'why,' look for explicit causal language in the passage ('because,' 'therefore,' 'this is about') rather than relying on what sounds plausible.

Q3. According to the passage, what does the '93/7/2 framework' describe?

Answer: B

The passage defines 93% as already automated, 7% as currently human-handled exceptions, and AI as taking ~5 of those points, leaving ~2% for humans. C is a true-sounding tech claim but unsupported here – that's TRAP C. SAT Tip: when a question references a named framework or term, scan the passage for that exact phrase first, then read the sentences immediately around it.

Q4. As used in the passage, the word 'capture' most nearly means

Answer: C

Phrases like 'capture less than 1% of the value' and 'capture the lion's share' refer to economic share retained by different players. A is the most common everyday meaning of 'capture' (seizing something physically) – exactly the trap on vocab-in-context questions. SAT Tip: on vocab-in-context, reread the sentence and substitute each option in place of the word – the right answer makes the sentence still mean what it meant before.

Q5. As used in the passage, the word 'siege' most nearly means

Answer: B

The passage says voice BPO is 'under siege' from voice AI platforms – meaning sustained business pressure, not literal warfare. A is the literal military meaning, the classic distractor on vocab-in-context. SAT Tip: technical and business writing often borrows war metaphors – when you see one, the answer is almost always the figurative meaning, not the literal one.

Q6. Which statement about model providers like Anthropic can most reasonably be inferred from the passage?

Answer: C

The passage explicitly says model providers' economics improve over time as hardware and models get cheaper while volume grows 100x – making their position more durable. A is the opposite of what the passage argues (they don't need to win any single vertical) – TRAP A: right scope, wrong direction. SAT Tip: inference questions reward

what the passage logically implies, not what's dramatic – pick the option that simply extends the author's stated logic one step further.

Q7. The passage suggests that large-cap IT services firms will experience disruption in which sequence?

Answer: B

The passage explicitly states enterprise contracts are '3-5 year terms,' so the immediate impact is 'pricing pressure' with headcount cuts following 'when contracts roll off in 2027-28.' A reverses the sequence – TRAP A. SAT Tip: when a question asks about sequence or timing, look for dates, time markers, or ordering words ('first,' 'then,' 'follows') in the passage – never rely on what feels intuitive.

Q8. The author's tone throughout the passage is best described as

Answer: B

Phrases like 'The Numbers Don't Lie,' 'Everyone Dies,' 'The ROI is obscene,' and the matter-of-fact tables convey blunt analytical confidence – not optimism, outrage, or neutrality. D is tempting because the piece uses data, but the author is clearly making a one-sided argument, not balancing perspectives. SAT Tip: when a question asks about tone, look at adjectives and adverbs the author chose, not the topic itself – a neutral topic can be discussed in a sceptical or blunt tone.

Q9. Which conclusion about the economic value created by AI disruption can most reasonably be drawn from the passage?

Answer: C

The passage explicitly says 'the economic value doesn't disappear – it redistributes,' with enterprises capturing 'the lion's share' and wrapper companies capturing 'the integration margin.' B contradicts the article's core claim that model providers get less than 1%. SAT Tip: watch for absolute words like 'entirely,' 'nearly all,' or 'no party' in answer choices – they're often planted in distractors because passages rarely support such extreme claims.

Q10. Which choice provides the best evidence for the answer to the previous question?

Answer: B

Option B directly states both that value redistributes (not destroyed) and that enterprises take the largest share – exactly the answer to Q9. A supports a different point (that providers capture little), C is about cost mechanics, and D is about the Philippines specifically. SAT Tip: on evidence-pairing questions, find the passage line that supports your previous answer FIRST, then pick the option that matches it word-for-word.