The Financial Services Call Centre Sector in the North West and an Analysis of the Skills Needs.

The purpose of this paper is to communicate information about the Financial Services Call Centre Sector and where possible to explain the skills issues relevant to the Financial Services Call Centres.

This paper aims to provide background information and guidance to practitioners in Higher and Further Education in the North West who are working with employers in this sector to deliver new demand led/employer driven HE provision.

CallNorthWest[1] – affiliated to UCLAN – is an established regional call centre support infrastructure and has provided a contextual analysis of the sector and an analysis of the key skills issues facing the sector. CallNorthWest (CNW) aims to facilitate communication across a network of operators and suppliers, identify and develop best practice policies and the sharing of ideas as well as the promotion of the Industry to the wider community.

Definition of a Call Centre

A Call Centre can be best defined as 'a dedicated operation in which computer-utilising employees receive inbound, or make outbound, telephone calls.'[2] The call centre represents a mass production approach to customer service. Customer queries, complaints and purchases are handled via standardised processes, e.g. scripting of interaction and IT infrastructures designed to route queries to employees sufficiently skilled and empowered to answer the calls in a single location. In brief, **Call Centres have become established as the primary method of organisations to manage customers.**

Call Centre Development

Call Centres are a modern phenomenon. Their emergence is a result of political, economic and technological changes over the last 25 years. Deregulation and privatisation led to intensification of competition in specific sectors which in turn led to industry wide compulsion to reduce costs and maximise profits through centralising of services, offshoring, outsourcing and simplifying organisational structures.

However, depth of knowledge regarding the call centre infrastructure is still scarce. This is primarily due to their relatively recent emergence and the fact that they permeate all industries. Call centre activities are undertaken within all Standard Industrial Classification (SIC) codes and the majority of Standard Occupation Codes (SOC). This makes it difficult to understand the specific needs of Call Centres or calculate the actual numbers working within them.

Call Centres in the North West

Call Centres have developed at an incredibly fast pace in the North West since the early 1990's. Announcements of call centres becoming established in the North West and, to a lesser extent leaving the North West have become commonplace in the Inward Investment newsletters and the business pages of local press.

The sector is continuing to grow and there will be continued off- and near-shoring of business activities allied to the consolidation of Europe-wide activities into single location Call Centres. However, CNW confirms that many firms have now realised that key sales and service activities might be more expensive to deliver from the UK (in terms of labour rates) but organisations are considering other strategic drivers in the delivery of customer services. These include reputation, value added and customer perception. Growth is therefore expected to continue in UK regions that can deliver a supply of high quality skills to Call Centres.

In 2003, the DTI undertook an audit of Call Centre employment in the UK to fully understand the size and scale of the numbers employed. The resulting study led by ContactBabel identified that there were 846,737 call centre workers in the UK. The same researchers have continued to track the numbers of call centres and employment within them. The current measures are that there are 5,040 Call Centres in the UK employing 899,062 employees. (ContactBabel, 2006). Note: This applies across all sectors. CNW works with ContactBabel to track Call Centre activity in the North West.

[1] The Network for Call and Contact Centres in the North West is a 'not for profit' organisation providing a range of benefits through its various subscription, sponsorship and partnership opportunities.

[2] Taylor, P. Bain, P (1999). An assembly line in the head. Work and employee relations in a call centre. Industrial Relations Journal. 30. (2). Pp.101 -117.

North West Financial Services Call Centres

Call Centres play a pivotal role in allowing the FPS sector to efficiently reach a wider market. **In terms of Financial Services, the North West is one of the UK's main Call Centre regions. A number of major companies including Aviva, Barclays Bank, Co-Operative Bank, MBNA Europe Bank, Halifax Financial Services and National Westminster Bank have established call centres in the region**.

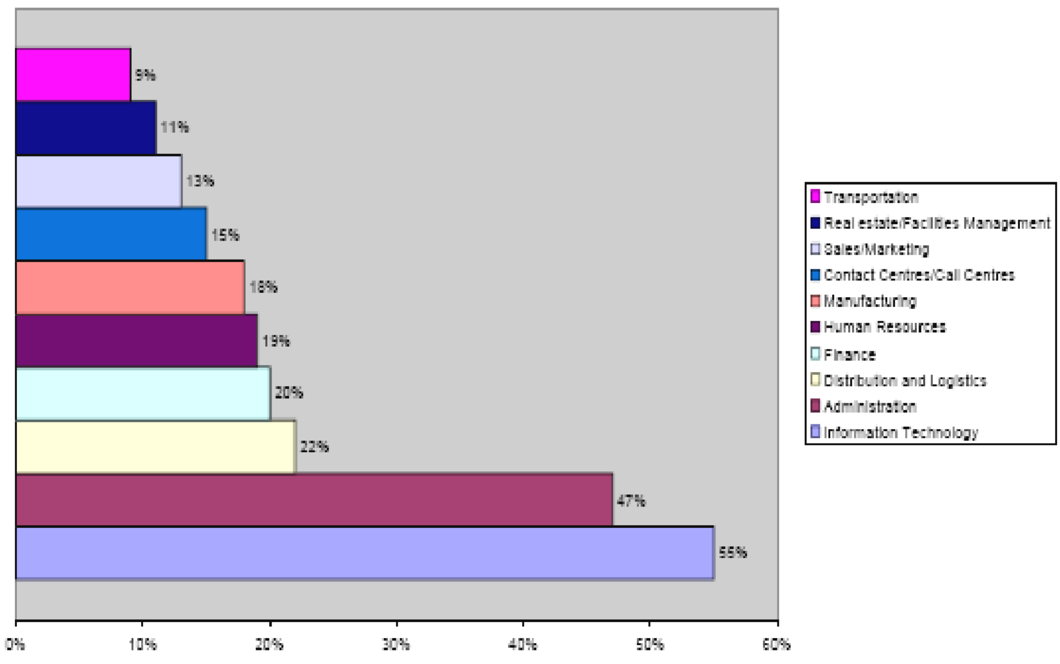
Their growth has been well documented as has the subsequent move of some call centres to lower cost economies such as India and South Africa. However, the demise of the UK call centre is over-exaggerated and **Financial Services Call Centres** should not be overlooked as a key tool to create employment and to add to the region's economy via indigenous firm growth and inward investment.

Offshoring and Outsourcing – A Contextual Analysis

In Financial Services, acute cost pressures and deregulation have encouraged outsourcing as companies have increased the pressure to reduce costs and maximise profits. Outsourcing allows access to foreign markets which the company does not currently understand or have a presence in allied to skills that may not be available at the organisation's head office. Financial Service outsourcing deals are deemed to be highly competitive and often involve long term partnerships in deals worth in excess of 15 million GDP per annum.

The decision to outsource is not just based on the cost savings that can be incurred. Other factors include the skills and facilities available, IT infrastructure, labour pool size, language skills and stability of the political climate within the specific country or province.

The Outsourcing Institute research in 2004[3] identified that the majority of functions outsourced within financial services are within IT and Administration. Only 15% of financial services companies outsource - either onshore or offshore - aspects of their customer services.



Source: Outsourcing Institute - 6th Annual Outsourcing Index

To a lesser extent cultural affinity to the customer/contractor is taken into account. This is the key reason why customer service and Call Centre operations that 'offshored' to India did not succeed and were moved back to the UK.

The organisations that did invest significantly in offshoring customer service faced a consumer backlash as customers complained about poor service, poor call resolution and language barriers. A number of

[3] Source: Outsourcing Institute – 6th Annual Outsourcing Index 2004
http://www.outsourcing.com/content/02i/other/oe/q403/buyers-spend.html

large Financial Services organisations including Abbey and Lloyds TSB have publicly closed Indian Call Centres and routed the calls back to the UK Call Centres.

Other organisations such as Barclaycard have significantly reduced the numbers of seats they occupy in offshore call centres as a result of the fall in call volumes to telephone banking services as more and more people move to online banking.

Offshoring and Outsourcing – The Reality

Detailed below is a series of vignettes presenting an objective look at the debate on the results of offshoring and outsourcing. At one stage there appeared to be a strong backlash against Call Centres being located abroad but the final article 'Why More Calls will be Going Abroad' from November 2007 shows the intention to relocate operations offshore.

RAC Wheels out 200 Jobs in India[4]

THE RAC became the latest British firm to transfer jobs abroad after it said 200 Call Centre posts would go to India. **The move comes after the RAC was bought by Norwich Union, whose parent company Aviva operates a number of call centres in the subcontinent.**

All the jobs will go from the RAC Rescue Centre, in Bristol, which employs 975 staff, including 420 call centre workers. Call centre workers there earn about £1.20 an hour compared to between £5 and £8 here. An RAC spokesman said the Indian call centre would deal with administrative matters and not breakdown calls from stranded motorists**. Emergencies will still be dealt with by staff at centres in Walsall, Stretford near Manchester and Glasgow.**

In December 2003, Norwich Union shifted 2,300 jobs to India, adding to the 50,000 British posts lost to the subcontinent in the previous two years alone.

The company claimed the move would cut costs by 30-40 per cent. Jobs were axed at its main centres in London, Norwich, Perth, York, Sheffield, Worthing and Eastleigh to move work to Bangalore, Pune and Delhi.

Abbey Closes Indian Call Centres[5]

A High Street bank is to shut down its Call Centres in India and bring 1,000 jobs back to Britain from its offshore operation in Bangalore, India's call centre capital. Abbey's retreat from India was prompted by complaints from customers. The former building society, previously known as Abbey National, was one of a wave of companies which jumped on a bandwagon of exporting jobs to India. **It is the first to reverse the move.**

Abbey's owner, Grupo Santander of Spain, which took over last year in a £9.5bn deal, has decided it was a costly failure. The jobs were transferred to India in 2003 under previous management. The switch took work from a number of UK centres, including Southampton and Middlesbrough. **Staff in Bangalore carried out basic bank account tasks, such as reading out customers' balances over the phone and drawing up standing orders. But customers said they were unhappy with the service. Some complained of language difficulties.**

One Abbey insider told the Mail: 'Given the risk to our reputation of moving the jobs offshore, you want the service to be top notch. If it isn't top notch, then why are you there?' The Spanish group believes that switching jobs to India does not necessarily cut costs - and may be more expensive in the long run because of reduced efficiency and customer complaints. The workload will be transferred to Abbey Call Centres in Milton Keynes, Teesside and Glasgow.

The private sector's biggest union Amicus has led the campaign against companies moving jobs abroad. Amicus says 50,000 jobs in the Financial Services sector have been lost because of outsourcing.

Abbey's move will bring it into line with a small number of British financial companies, including The Royal Bank of Scotland and Alliance & Leicester, which have decided against moving jobs offshore.

[4] Daily Mail 30 September 2005
[5] James Quinn, Daily Mail 26 October 2005

Why Aren't You Listing[6]

Overseas Call Centres have been a part of life for almost a decade. But however familiar customers have become with the idea of talking to someone in India or elsewhere about their financial affairs - they don't like it. **The latest findings of a regular survey into customers' attitudes to Call Centres abroad, shows that dislike is as entrenched as ever.**

More than 80% of customers taken from a random sample of 4,000 in a poll by YouGov say they are unhappy to have their accounts serviced overseas. The survey was commissioned by mortgage bank Alliance & Leicester, which boasts that its' 1,600 call centre staff are based in Britain.

The main concern of customers used to be the loss of UK jobs. **But now the biggest cause of annoyance is difficulty in communicating. Almost nine in ten - 88% - said they experienced ' problems associated with language, culture and general understanding' when dealing with overseas staff.**

Security issues are also causing growing anxiety. A year ago, half of customers said they were worried about personal information being misused abroad. Now, after a year in which there were several accounts of UK customers' data being sold in India, two out of three customers are worried. Research by accounting firm KPMG has also identified fear of fraud as a growing trend. It reckons two-thirds of consumers are uncomfortable with the idea that their information is accessible by staff abroad, where different data protection and other laws apply.

Some companies, such as Legal & General, Bank of Scotland, Nationwide and Alliance & Leicester, have made it a policy not to move customer-service jobs abroad.

But the financial pressures are huge. It costs a bank £30,000 a year to employ a UK-based Call Centre worker – when wages and other costs are added –compared with £2,100 in India.

Norwich Union Call Centre U-Turn[7]

Norwich Union, owned by Aviva, has performed a dramatic U-turn and switched some of its Indian Call Centre work back to Britain. The insurance giant admitted it was forced into the move because workers in India **'don't know what the customer is talking about'.**

The decision is an admission of failure for one of the largest outsourcers in the financial services sector. Among the work moved back to the UK, which has cost 150 jobs in India, has been the handling of household insurance claims. The Aviva spokeswoman said that if, say, a claimant reported a flood because an immersion heater was broken, Indian operators found it hard to understand because they don't have them. Other services moved back to Britain include credit hire and executive pension schemes.

Aviva admitted that when Norwich Union started transferring thousands of jobs to India, it did not consider such cultural difficulties. It has now been forced to acknowledge them and act accordingly.

Though the insurer remains committed to its Indian Call Centres, it does not rule out transferring more business back to the UK. Only recently, Aviva said it would make 4,000 UK staff redundant, with 1,000 of those jobs relocated to India. By the end of this year it was aiming to have transferred 7,800 jobs to Delhi, Pune and Bangalore, or to its Call Centre in Sri Lanka**.**

Esure Brings Call Centres Home[8]

Another big name in British Financial Services is making a U-turn on outsourcing work to India. Insurance tycoon Peter Wood, best known as founder of Direct Line, **has moved the call centres of his Esure Company back from India, blaming poor service and suggesting the trend for outsourcing is doomed.**

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[6] Richard Dyson, Mail on Sunday 22 January 2006
[7] Andrew Foxwell, Financial Mail on Sunday 28 January 2007
[8] Andrew Foxwell, Mail on Sunday 11 February 2007

Wood, whose HBOS-backed Esure includes the Sheila's Wheels brand, opened call centres in India two years ago. **He claimed the move was not driven by cost cuts, but because the company could not recruit enough staff in the Manchester region.** But many customers quit because they were unhappy with the centres, prompting Wood to close them and reopen in the UK.

Wood told Financial Mail there were examples of Indians being unable to understand some queries. He said: 'One customer said "I've got a hatchback" and the guy in India said "I'm terribly sorry, I hope you get better soon". The customers do not like it and we got more turnover than we thought we would.

'Customers are everything and if they don't like it, I'll change to what they want. Back office processing in India is fine - the employees are very well educated.

'If you start to damage your reputation, forget whatever trivial money you're saving.' Meanwhile, Newcastle Building Society has also abandoned Indian outsourcing because it believes a UK operation would be more efficient. The society set up a pilot centre in Mumbai two years ago, but has found that Geordie workers perform better overall, so will move the jobs to Tyneside.

Happy to Pay For UK Call Centres[9]

More than 90% of people would be happy to pay extra for goods and services if they were guaranteed that the company's call centres were in Britain, according to a ‘This is Money’ and ‘Financial Mail’ survey.

The online survey conducted on the website delivered a damning verdict on overseas Call Centres, with more than nine out of ten of those who took part having suffered problems. Of the 800 respondents, at least two-thirds said they had cancelled contracts with companies because of the poor service they experienced from overseas Call Centre workers.

Readers said they were prepared to pay more if they were guaranteed to speak to someone in the UK, while almost all felt it was 'important' to keep jobs in Britain, even if that meant higher prices. Results of the survey revealed that only 2% of those who responded had never experienced problems understanding operators at overseas Call Centres while three-quarters had lost their temper with them.

According to branding consultant and Marketing author, Jonathan Gabay companies that had set up offshore call centres to achieve savings were chasing a 'false economy', and that 'too many accountants' were involved in the decision-making that led to the moves.

Call Centre Boom Goes On[10]

Work being switched to India is having little effect on Call Centres in the UK, which will provide more than a million jobs by the end of this year, according to a new report. The industry grew by 6% last year mainly because of expansion by firms which already have centres based in the UK. Research by industry experts ContactBabel showed **more than 3% of the UK's working population are now employed in call centres.**

There are around 960,000 jobs in the sector and this will continue to increase in the coming months, it was predicted. Steve Morrell of ContactBabel said: 'The UK Call Centre industry continues to grow at a healthy and sustainable rate, driven by the expansion of existing operations, rather than the opening of new contact centres. **It is currently worth £20.6bn to the UK economy.**

As predicted in past years, the boom in offshoring to India and other destinations such as South Africa

and Eastern Europe has not had the negative effect that some commentators expected, and the amount of new work going offshore is slowing, with 2006 seeing several high-profile companies announcing their return to the UK.

'The UK's Call Centre industry will continue to grow steadily over the next five years. By 2010, the UK contact centre industry will be worth almost £30bn to the UK's economy, employing in excess of 1,150,000 people.'

[9] Andrew Foxwell, Financial Mail 25 February 2007
[10] This is Money 2 April 2007 – http://www.thisismoney.co.uk/news/article.html?in_article_id=409128in_page_id=2

Insurer to Cut call centre Jobs – BBC News 25/07/2006[11]

Insurer Norwich Union is shutting its customer service centre in Water Street, Liverpool, with the loss of 321 jobs. Growth in online insurance sales and improved efficiency are behind the decision to relocate work to India, Glasgow and Sheffield. The centre, which handles customer service calls for Norwich Union Direct, will close by the end of October.

Jobs Blow as Citi Looks to Quit Salford[12]

More than 300 jobs look set to be lost after financial services giant Citi revealed plans to close its office on Salford Quays. In a major blow to Greater Manchester's credentials as a key location for global financial services businesses, Citi UK Consumer said it planned to expand its operations in Derby, The move follows Citi's £575m purchase of online credit card operation Egg, which has its main base in Derby. Ian Kerr, a Citi UK Consumer manager, said: "The jobs in Exchange Quay are made up of Call Centre, financing and some management positions.''

Why More Calls Will be moving Abroad[13]

With all the care for customer service we have come to expect from automated Call Centres, the bosses of these vilified operations are preparing to incur even greater wrath from their clients.

They intend to continue shifting operations offshore, even though they accept that most customers loathe talking to overseas operators. A poll conducted at the annual Customer Contact Association convention in Edinburgh last week showed 65% strongly agreeing and 29% confirming that customers 'hate offshore centres'.

Chairman Rob Pike reminded delegates that many of them had already said they were considering opening offshore operations. Pike said that use of new technology was reducing the reliance on pure voice contact centres. 'We are adding different ways of handling queries to voice - things like automated systems and text messaging,' he said. 'Contact centres are like the M25, the more channels we add, the more queries get handled.' But customers are likely to believe that the more channels that are added the more opportunity there is for the service to disappoint.

Conclusion - Offshoring and Outsourcing

Back office and IT functions have successfully been outsourced offshore but in terms of **Financial Services Call Centres it is a mixed picture.** The vignettes above have shown that such Call Centres have been outsourced and then re-located back to the UK to offer better customer services. However, with the current 'credit crunch' and predictions of a tough year ahead on the economic front, companies will be under pressures to cut costs.

In addition with the adoption of new technology and improved systems - as highlighted in the article above – this shows that the impetus to outsource and offshore operations is never far away. In essence the jury is still out over the debate on whether to stay based in the UK or offshore. There is no real conclusion as the debate still continues despite the one consistent factor is that customers dislike talking to overseas operators.

The Economic Sustainability of Call Centres in the North West

The major growth area during the CallNorthWest project is Financial Services. Because all sectors are well represented in the North West, Call Centre employment tends to be fairly secure. Over - reliance or representation on one or two sectors would make the region susceptible to specific vertical market trends such as outsourcing.

Conversely, it may also result in skills and service gaps as an over representation in, for example Financial Services, could result in the supply of skills not being able to meet the demand. **There is a need for further research to define the specific Skills needs of Financial Services Call Centres in the North West and if they differ from the overall skills needs of Call Centres in general.**

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11 http://news.bbc.co.uk/go/pr/fr/-/1/hi/england/merseyside/5214474.stm Published: 2006/07/25 16:42:21 GMT

12 Chris Barry, Manchester Evening News 9/11/2007

13 Simon Fluendy, Financial Mail 12 November 2007

The increasing numbers switching to online customer service vis-à-vis banking and insurance - which is currently happening - has an adverse effect on the numbers contacting call centres.

Table 1: Changes in the Call Centre Infrastructure 2004-2007

Factor	**2004**	**2005**	**2006**	**2007**
No. of contact centres (10+ seats)	521	540	**605**	**620**
Agent positions (seats)	80,953	82,570	**92,655**	**98,563**
Contact centre staff	121,477	132,112	**149,175**	**159,672**
% reporting significant growth in agent positions in past 12 months	34%	27%	**25%**	**24%**
Average age of operation (years)	11	11	**12**	**12**
Inbound calling operations, % of total	65.7%	65.6%	**66.8%**	**68%**
Outbound calling operations, % of total	34.3%	34.4%	**33.2%**	**32%**
% of Call Centres which are Financial Services	16%	16%	**16%**	**14%**
% of Call Centre jobs in Financial Services	18.90%	19.81%	**19.78%**	**17.16%**
Employed in Financial Call Centres	22,959	26,170	**29,500**	**27,400**

Source: Contact Babel 2007

The North West is now home to 620 Call Centres an increase of 99 over the last four years. The total number up to 159,672 people working directly in contact centres in the North West. The number of centres reporting significant growth has continued to fall; this is largely due to the customer adoption of web based services and automated services in **sectors such as banking and insurance which dominate the North West Call Centre industry**. Financial Call Centres now only represent 14% of the North West centres. This is largely due to other sectors growing at a greater rate and the significant loss of the Barclaycard Call Centre in Manchester and Norwich Union Direct in Liverpool.

Table 2: Financial Services Call Centres in the North West Comparison Data

Factor	North West	UK
% of Call Centres which are Financial Services	**14%**	14%
% of Call Centre jobs in Financial Services	**17.16%**	22.7%
Employed in Finance Services Call Centres	**27,400**	217,676

Source: Contact Babel 2007

Financial Services Call Centre employment has grown in the North West by 4,441 in the last four years. Table 2 shows Financial Call Centres currently account for 17.16% of Call Centre employment. In 2005 this figure was as high as 19.81%. The UK average is currently 22.7% meaning that there are other areas of UK that are more reliant on Financial Services Call Centres than the North West.

Table 3: Call Centre Size Profile

Contact centres of size:	**North-West**	**UK**
10-50 agent positions	49%	56%
50-100 agent positions	22%	18%
100-250 agent positions	16%	16%
Over 250 agent positions	13%	10%

Source Contact Babel 2007

Table 3 indicates that the majority of Call Centres are not the huge Call Centres often depicted in the media but smaller centres. A larger spread of Call Centre sizes is a benefit to communities as they are not so reliant on one employer and are less susceptible to strategic decisions or changes in consumer habits, especially in banking and finance.

In the North West because of the size and structure of the Call Centre infrastructure the economic effects of a closure of a centre would be cushioned due to the availability of employment at other centres.

Sub-Regional Breakdown - Split of Numbers

4.8 % of the total employment in the North West is within Call Centres. However some areas have greater Call Centre stock than other areas. Call Centres are well represented in Cheshire and Warrington, Greater Manchester and Merseyside yet under represented in Cumbria and parts of Lancashire.

The largest Call Centre stock is in Greater Manchester, in particular the central business area, but also Stockport and Salford Quays. In the past four years Cheshire and Warrington has attracted more inward investment in Call Centres than the other regions.

The greatest competition for outbound staff is in Greater Manchester. Outbound calling is under represented in Cumbria, Cheshire and Warrington.

Table 4: Sub Regional Breakdown

	Cheshire and Warrington	Cumbria	Greater Manchester	Merseyside and Halton	Lancashire
Total Employment Number	411,000	218,000	1,186,000	626,000	652,000
Number of Call Centres (10+ Seats)	118	27	250	130	95
Agent Positions (Seats)	13,750	2,800	39,513	24,500	18,000
Call Centre Staff	22,275	4,536	64,011	39,690	29,160
Call Centre employment as a % of total employment	4.8%	1.8%	5.3%	5.7%	2.5%
Employment in Financial Call Centres	**7,500**	**200**	**9,500**	**4,500**	**5,700**
% of **Call Centres which are Financial**	**15%**	**13%**	**12%**	**16%**	**21%**
% reporting significant growth in agent positions in past 12 months (all centres)	22%	16%	22%	30%	25%
% reporting significant decline in agent positions in past 12 months (all centres)	4%	0%	6%	6%	5%
Inbound calling operations, % of total (all centres)	70%	75%	66%	63%	69%
Outbound calling operations, % of total (all centres)	30%	25%	34%	37%	31%

Source Contact Babel 2007

In table 4 the sub regional breakdowns shows significant variances. E.g. Financial Services at first glance seems to be under represented in Greater Manchester yet significant in Lancashire. However, in context the 12% of Financial Call Centres in Greater Manchester employ 15% of the Manchester Call Centre employment (9,500 employees). This indicates that even though only 12% of Call Centres in Manchester are in Financial Services they are significantly large Call Centres such as CIS Insurance Ltd, Esure, Co-Operative Bank Plc and Friends Provident. These large organisations have had a long association with Manchester and have grown their Call Centres in the region within their existing Manchester operations. This affiliation with Manchester **and the fact that the Call Centres are part of multiple operations reduces the risk of outsourcing or closure than if they were stand alone Call Centres.**

It is also worth noting that Call Centres operate different production methods for different distinctions of calls.

1. **Low value calls** tend to be highly structured, these include balance enquiries, change of PIN number and lost cards. With low value calls the management priority is speed and accuracy and the production methods used are designed to deliver a speedy, accurate service to the customer at low cost to the business.

2. **High value calls** tend to be more detailed with a greater level of interaction, e.g. Mortgage enquiries, Pensions, Insurance quotes, Individual Savings Accounts and Investments. In high value calls accuracy, selling and relationship building are very important. The vacuous average time to handle a call metric is no longer applied with high value calls.

High value calls require a greater skill set in particular product knowledge but more important a greater understanding of the customer and an ability to build rapport. Some organisations use customer portfolio analysis techniques to identify the high value customers calling the call centre. **These customers often have access to dedicated account managers who offer a highly personalised service but who are based in a contact centre environment. Providing the skills set is right, high value calls can result in up selling and increased customer satisfaction.**

There is a growing recognition within Financial Services Call Centres that by understanding the benefit that high value activity generates that the outsourcing or offshoring model does not suit all services. This is largely because the business case for high value service is based on customer benefits and profit generation as opposed to the outsourcing or offshoring model which is based on cost savings.

Call Centre Business Model Structure

In order to have a greater understanding of Call Centre practices and skills issues it is important to have an understanding of the staffing profile within Call Centres. The classic model of the Call Centre organisational hierarchical structure has three levels; agent, supervisor/team leader and manager. For this study we will utilise the staffing breakdown research undertaken by CNW.

Table 6: Role Breakdown of NW Financial Services Call Centre Employment

Job Role	% of Call Centre Workers	North West Financial Call Centre Employees
Managers (CCM & resource scheduling managers)	3%	822
Team Leaders	8%	2,192
Product /Software Specialists & Coaches	5%	1,370
Experienced Call Centre Agents	55%	15,070
Inexperienced Call Centre Agents	27%	7398
New Entrant (pre-training)	2%	548

Giles McClelland CallNorthWest -2007

Assuming that the same properties of different employee types apply across the North West this allows CNW to estimate the profile of the **27,400** individuals working within **Financial Services Call Centres** in the North West. This is useful for understanding the training needs at each level.

The Skills Issues Facing the North West

The North West performs significantly better than the UK average in the annual call centre benchmark conducted by Contact Babel. Operations directors with operations in the North West report significantly less skills gaps and management issues than in other UK regions. (See table 7 below.)

The sample is too small to determine whether skills issues differ for Call Centres that operate specifically in Financial Services. **However, anecdotal research suggests the complexities of Financial Services Call Centres result in greater skills gaps than the figures for all Call Centres**. **The table below highlights that the most significant skills issue is that of management ability. This skills gap will have significant repercussions across the organisation as it will act as a significant barrier to achieving the best possible results.**

Table 7: Skills Issues

Skills Issues Call Centres	UK 2007	North West 2007
Skills gaps reported - management ability	31%	28%
Skills gaps reported - technical ability	8%	11%
Skills gaps reported - speaking and listening skills	23%	21%
Skills gaps reported - product knowledge	20%	18%
Skills gaps reported - literacy / numeracy	16%	15%
Most pressing managerial issues – staff recruitment (out of 10)	6.9	6.5
Most pressing managerial issues – staff retention (out of 10)	6.4	6.4
Agent attrition rate	21%	20%

Source: Contact Babel 2007

The skills gaps highlighted above result in the organisations operating below the desired performance level. This creates risks for the UK Call Centre employment as businesses may consider strategic intervention through outsourcing or offshoring to more cost effective business models. In practical terms it is the strategic responsibility of individual companies and their relevant supporting agencies to address how the skills gaps can be reduced, thus helping Call Centres achieve the best possible results.

The best possible results in a call centre include.

- High productivity
- Low levels of sickness/absence
- A good external reputation resulting in high numbers and quality of applicants for jobs
- Retention of good people
- Excellent behaviour towards customers and colleagues

The barriers to achieving the best possible results are evident in the following organisational indications which are associated with Call Centres through academic research, business reports and mass media.

- Increased attrition
- High sickness/absence
- Decreased productivity
- Low motivation to work/go that extra mile
- Profit/Effectiveness

Increasing management ability is central to overcoming the productivity and reputation issues associated with call centres.

Staff Attrition and Absence[14]

Conventional wisdom says that attrition rates are sky-high in the UK contact centre industry, running at upwards of 40% typically. A few years ago, this was easily dismissed as a fallacy driven in large part by the experiences of a few large contact centres. However, **in each of the past five years, staff attrition rates have crept up until they now stand at a point where perception and reality seem to be meeting.**

The 2007 figure for mean average staff turnover is 32%, which is considerable, but the median (midpoint of all respondents' answers) was significantly less, at 20%. This shows that there are a number of contact centres with very high attrition rates which are pulling the mean average upwards.

[14] The UK Contact Centre Operational Review (5th edition – 2007) Executive Summary.

Table 8: Staff attrition rates by range

Range of staff attrition rates	Proportion of respondents
Under 10%	27%
11-25%	32%
26-50%	23%
51-100%	12%
Over 100%	6%

Source: Contact Babel 2007

There was no real agreement amongst the Contact Babel respondents on the main reasons for staff attrition. **The lack of opportunity for agents and the repetitive nature of some Call Centre work were cited higher by a significant proportion of respondents**. In the latter case, an increased use of self-service would seem to be a business solution but also varying the role of Call Centre agent by utilising email, web chat and postal mediums to allow customers to communicate. **Interestingly, in an industry which outsiders often deem as a dead-end job, the lack of opportunity to move up the career ladder is marked on average as being the greatest cause of staff attrition**.

Conventional wisdom would expect to find that those in high-pressure outbound jobs would have higher unauthorized absence rates, and this is certainly the case. **The average cumulative absence rate in outbound contact centres is over 50% higher than in predominantly-inbound operations.**

Staff Recruitment and Retention

Both staff recruitment and retention are pressing concerns to North-West Call Centre managers, despite a generally low staff attrition rate. **Some of the North West regions (Cheshire and Warrington, Greater Manchester) have a very high proportion of their working population (circa 5%) employed in Call Centres, and it may be that the competition for skilled staff is very high resulting in difficulties recruiting the right staff and consequent problems with staff attrition.**

Another possibility is that the available labour pools are close to saturation. This is evident in areas such as Chester which has a number of large Call Centres such as Marks and Spencer Money and MBNA. However, job density in Chester is greater than 1 meaning there are more jobs than people economically active. This creates significant competition for employees. This means the current labour pool needs to be increased. A number of centres (Bupa, Fujitsu Systems) have partnered the **Greater Manchester Able to Work programme** in running initiatives to try and attract those on long term incapacity benefit back to employment by offering them training in Call Centre jobs. Other Government led initiatives to increase the numbers returning to work and grow the labour pool need to be explored.

In a 2007 study by Contact Babel looking at differences across UK wide Call Centres it was identified that **Financial Services Call Centres have significantly greater recruitment** difficulties than other vertical markets.

Table 9 - Staff recruitment problems in terms of specific market sectors

Staff recruitment problems / vertical market	Major problems	Some problems	Few problems	No problems
Finance	31%	46%	15%	8%
Retail & Distribution	22%	44%	22%	11%
Transport & Travel	17%	60%	15%	8%
IT	14%	14%	43%	29%
Public Sector	11%	44%	22%	22%
Services	11%	67%	22%	0%
Outsourcing	5%	75%	15%	5%
Telecoms	0%	83%	17%	0%
Average	**14%**	**57%**	**20%**	**9%**

The Financial Services Skills Council (FSSC) research revealed that there is a need to help incumbent staff and new entrants including graduates to understand the Financial Services industry and its products. If that applies to retail Banking, Insurance, Pensions and Fund Management, anecdotal evidence would suggest that there is a greater need to understand the nature of the company's products and services in Financial Service Call Centres.

Anecdotal evidence also suggests Financial Services Call Centres tend to have a far greater level of complexity than other call centres which results in a higher standard of education and skill requirements. However, unlike other complex Call Centres such as IT Helpdesks there is no differentiation in salary that attracts a higher standard of education and skills in potential employees. Salaries in Financial Services Call Centres are largely in line with Call Centre averages.

Graduates in Call Centres

There is an over supply of graduates to graduate opportunities in the UK economy. Those graduates who fail to secure a position in their chosen career path often seek work in Call Centres for two predominant reasons. Firstly, they are encumbered with debt and seek work knowingly on a temporary basis to keep the wolf from the door. Overall they do not consciously seek - or aspire to - a long-term Call Centre career. These graduates will seek to leave as soon as they can secure a new position of their choice. **However, an ESF funded study by University of Central Lancashire identified that management development of graduates resulted in high graduate retention and increased promotional opportunities for beneficiaries. This supported succession planning in the participant Call Centres**. A potential area of consideration for Financial Services Call Centres would be the development of graduate development paths specific to creating managers and leaders of Call Centre operations.

Secondly, other graduates are attracted to working for Financial Services Call Centres in the hope that if they are bright and diligent they will be recognised and will secure a move into back office positions or elsewhere within the organisation. The Call Centre often acts as the recruitment ground for the greater company. This is advantageous for the company and employees but it is important that Call Centres retain skilled employees to better the service to the customer and the management methods within the Call Centre.

Management Ability

The major skill issue facing Call Centres in the North West is management ability - as shown in Table 7 on page 10. Although the management skills gaps reported is below the national average, **28 % of Call Centres in the North West are reporting Management skills gaps.** This indicates that Call Centres are still not attracting or developing the quality of management capable of driving the industry forward.

There is a need for investment in management development in Call Centres if organisations want to develop robust customer service as a core competency. **A 2005 report by City and Guilds entitled 'The Rare Species – Critical Skills for Tomorrows Future'[15] identified the key sectors of the UK economy where future skill shortages are most likely to emerge.** The report was based on a study of the vocational skill requirements of the UK economy of the future. **Top of the list of skill shortages was skilled call centre professionals and management**. The report indicated that by 2020 UK Call Centres would struggle to find skilled people to fill the management positions in Call Centres.

Although skills gaps in Management Ability is below the UK average, the University of Central Lancashire - in association with CallNorthWest - provided funded Post Graduate Diplomas and Foundation Degrees in Call Centre Management to develop management skills and support succession planning in North West based operations. In 2006, 60 junior and senior managers enrolled to study Post Graduate Diplomas in Customer Management at Lancashire Business School.

Areas for consideration are within HR Development that could further address this problem include:

- Retaining the right staff to reduce the numbers of new staff required
- Improving corporate reputation resulting in greater quality and numbers of applicants
- Improving marketing and advertising techniques within the job market
- Improving the validity of existing techniques of recruitment

[15] www.ssda.org.uk/default.aspx?page=2135#1884

The Skills Debate

The key threat facing Call Centre employment is low cost competition from developing economies that can operate Call Centres at a fraction of the cost of a UK operation. The Leitch Report (2006)[16] identified that the UK needs to compete in the global economy on the basis of higher level skills to increase UK Plc productivity. It is vital for the UK to move up the value chain by becoming more innovative in the delivery of professionalism and strategic effectiveness. This means supporting professional development in Call Centres.

Currently the North West is able to provide support services in terms of human resources, management development, training and quality monitoring to established and new sites coming into the region. Although Call Centre agents are cheaper in developing economies, those economies do not have the skills and expertise to ensure a consistent quality of service. A number of large employers who have Centres both in the UK and India often export management skills from England to support the Indian operations. It can be argued that the established infrastructure of being able to recruit and train Call Centre professionals and ensure consistent quality is a key competence in the North West. However, as the Indian and South African Call Centre Industries evolve they will have greater access to home-grown Call Centre professionals. For the North West to remain competitive it must compete on these high value skills.

A key threat facing any Call Centre is attracting and more crucially retaining the labour force. The majority of Call Centre workers do not see themselves working in the role in five years time. Therefore, a strategy needs to be established which includes developing career paths for those wanting to stay and also to widen the labour pool to allow for high levels of staff attrition.

Call Centres have a flat structure with little opportunity for progression past the team leader role. This flat structure allows financial efficiency and lowers operating costs but creates employee turnover. Larger centres tend to offer more opportunities to develop specialist skills in workforce planning, coaching, training and IT. A priority for HE and FE should be in encouraging professional development and support in developing the career paths of Call Centre workers.

Different Types of Call Centre Management Qualifications

This sections details the structured management and leadership qualifications that are available to Call Centres. When considering investment in qualifications for managers the organisation should ask the question, 'Will this qualification make our managers better managers?' The different types of management and leadership qualifications can be split into two categories.

1. Academic
2. Professional

Academic Qualifications

The University of Central Lancashire (UCLAN) is most active HE Institute in the UK in delivering academic programmes specific to Call Centres. UCLAN offers a professional development prospectus with Certificates in Call Centre training and coaching, Foundation & Honours degrees and Post Graduate Diplomas/MSc's in Call Centre management. The academic approach brings managers from different sectors together outside of their working environment to theoretically analyse and apply management theory to the Call Centre environment.

Professional Qualifications

Professional qualifications include the internationally recognised **Call Centre Industry Advisory Council (CIAC) run in the UK by the Call Centre Managers Institute**. The CIAC combines academic and theoretical knowledge with vocational aspects into a competency framework. The CIAC, like many professional qualifications is a standard. Managers are assessed through scenario based competency questions, multiple choice, work based evidence and feedback.

E-Skills UK the sector skills council for Call Centres has developed a set of Contact Centre competencies linked to the role and career routes of a Call Centre professional. The framework highlights the competencies needed to be an effective agent right through to managing Call Centre operations.

[16] Leitch Review: prosperity for all in the global economy – world class skills. See the website at: **hm-treasury.gov.uk/leitch**

Appendix 1 – Major Financial Services Call Centres in the NW (25 seats plus)

Company	Town
Primary Direct Insurance Ltd	Altrincham
Furness Building Society	Barrow-in-Furness
National Savings & Investment	Blackpool
AXA Insurance	Bolton
Endsleigh Insurance Services Ltd	Burnley
G-MAC Residential Funding Ltd.	Burnley
Cumberland Building Society	Carlisle
MBNA Europe Bank	Chester
The Funding Corporation	Chester
HBOS	Chester
Marks & Spencer Money	Chester
Fairburn Private Banks	Douglas
Abbey International	Douglas
Royal Skandia Life Assurance Ltd	Onchan (Isle of Man)
Bank of Ireland Isle of Man Ltd	Douglas
Halewood International	Huyton
AXA Insurance	Lancaster
Global Transaction Processing	Lancaster
National Westminster Bank	Liverpool
NatWest Bank Plc	Liverpool
Aviva	Liverpool
Capital Bank Plc	Liverpool
Royal Liver Assurance	Liverpool
Halifax Plc	Liverpool
Royal & Sun Alliance	Liverpool
Phoenix	Liverpool
Mercantile Credit	Liverpool
Barclays Bank plc	Liverpool
Guardian Financial Services	Lytham St Annes
Beech Financial Management Ltd	Macclesfield
Capital One Home Owner Loans Ltd	Macclesfield
Blemain Finance Ltd	Manchester
Friends Provident	Manchester
Wilsons Insurance	Manchester
London Scottish Finance	Manchester
Royal Bank of Scotland Plc	Manchester
Direct Line Plc	Manchester
TD Waterhouse	Manchester
Esure	Manchester
Alliance and Leicester Commercial Plc	Manchester
Alex Lawrie	Manchester
Citibank	Manchester
CIS Insurance Ltd	Manchester
Co-operative Bank Plc	Manchester
First National Tricity Services	Preston
Risk Management Alternatives International Ltd	Preston
Key Retirement Solution Independent Advisors	Preston
Barclays Bank Plc	Salford
The Mortgage Point	Salford
Gregory Pennington	Salford Quays
Smile	Skelmersdale
Moorcroft Group	Stockport
Standard Life Healthcare	Stockport
Co-operative Bank Plc	Stockport
Logic Group Plc	Warrington
Tote Sport	Wigan
Freedom Finance	Wilmslow
Royal London Group	Wilmslow

Further Reading

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This report draws upon a wide range of information from credible sources that aim to build an objective, fact – based assessment of conditions and developments in the contact centre industry. This consensus – based report, combined with other inputs and consultations, provides an opportunity for stakeholders to start to develop policy, ideas and initiatives that can build on the undoubted success and competitiveness that the UK contact centre industry has experienced to date.

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