The Global Call Centre Report: International Perspectives on Management and Employment

Report of the Global Call Centre Network

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(UK format)

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A Report of the Global Call Centre Research Network

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For more information on the GCC network, visit the website at www.globalcallcenter.org. To obtain national reports or contact country research teams, see Appendix C.

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Executive Summary

This report is the first large scale international study of call centre management and employment practices across all regions of the globe – including Asia, Africa, South America, North America, and Europe. Covering almost 2,500 centres in 17 countries, this survey provides a detailed account of the similarities and differences in operations across widely diverse national contexts and cultures. The centers in the survey include a total of 475,000 call centre employees.

Participating countries include: Austria, Brazil, Canada, Denmark, France, Germany, India, Ireland, Israel, Netherlands, Poland, South Africa, South Korea, Spain, Sweden, UK, and the US.

We examine such questions as:

- How 'global' is this sector? Is there a universal best practice model of management emerging across countries or have managers developed alternative approaches and innovative strategies?
- How similar or different are management practices *across* countries, and what explains differences *within* countries?
- How do in-house centres compare to subcontractors? And how do business-focused centres compare to mass market centres?
- What strategies contribute to better operations, job quality, turnover, and absenteeism?

We cover a wide range of topics:

- Adoption of new technologies
- Workforce characteristics
- Selection, staffing, and training
- Work design, workforce discretion, and teamwork
- Compensation strategies and levels for employees and managers
- The extent of collective bargaining and works council representation

Our findings suggest that the call centre sector has emerged at about the same time in many countries around the globe – roughly in the last 5 to 10 years. It serves a broad range of customers in all industry sectors and offers a wide range of services from very simple to quite complex. It is an important source of employment and new job creation everywhere.

The mobility of call centre operations has led many to view this sector as a paradigmatic case of the globalisation of service work. And we find that the call centre sector looks quite similar across countries in terms of its markets, service offerings, and organisational features. But beyond these similarities, we find that call centre workplaces take on the character of their own countries and regions, based on distinct laws, customs, institutions, and norms. The 'globalisation' of call centre activities has a remarkably national face.

Our summary highlights the similarities among countries, as well as the differences between them. It also identifies important differences within countries -- between in-house centres and subcontractors, and between centres serving distinct customer segments.

Similarities among Countries

In each country, the nature of the call centre sector is very similar in terms of markets, service offerings, organisational structure, and workforce characteristics.

- *Age.* The call centre sector is relatively young, with the typical call centre being 8 years old.
- *Markets.* Call centres typically serve national rather than international markets. Eighty-six percent serve their local, regional, or national market.
- *Subcontractors*. Two-thirds of all call centres are in-house operations, serving a firm's own customers. Subcontractors operate the remaining one-third of centres.
- *Customer segmentation*. Seventy-five percent of call centres predominantly serve mass market customers, while 25% serve business customers.
- *Service versus sales.* The largest proportion of call centres provide customer service only (49%), while 21% provide sales only, and 30% provide sales and service.
- *Inbound versus outbound calls.* Most centres primarily handle inbound calls (78%), rather than outbound calls.
- *Call centres or 'contact centres':* The overwhelming majority of centres operate as voice only centres, rather than multi-channel 'contact' centres. The technologies employed are quite similar and calls typically last from 3-4 minutes.
- *Organizational and workforce characteristics*
  The typical call centre employs 49 workers. However, the majority of call centre agents (75%) work in call centres that have 230 total employees or more. Call centres are flat organizations, with managers comprising only 12% of employees. Seventy-one percent of the call centre workforce is female.

Differences between Countries

Despite these commonalities, there are substantial differences in the organization of work and human resource practices in call centres across countries.

To aid comparison of the many countries in the report, we group them into three categories:

- *Coordinated or 'social market' economies*, with relatively strong labour market regulations and relatively influential labour market institutions.
  - Austria, Denmark, France, Germany, Israel, Netherlands, Spain and Sweden.
- *Liberal market economies*, with more relaxed labour market regulations and less influential labour market institutions.
  - Canada, Ireland, UK and USA.
- *Recently industrialised or transitional economies*.
  - Brazil, India, Poland, South Africa and South Korea.

In general we find that national labour market institutions influence management strategies. Call centres in coordinated economies tend have better quality jobs, lower turnover, and lower wage dispersion than call centres in liberal market economies and in recently industrialised ones, where labour market regulations and unions are weaker. Call centres in co-ordinated countries also make greater use of subcontracting and part-time contracts as strategies to increase organisational flexibility. However, there are also important differences among countries in each of these groups.

Selection, Training, and Staffing

- *Selection*. Twenty-two percent of call centres predominantly recruit people with college degrees, a relatively high proportion for what is considered to be a low-skill job – but country variation is high. Over 60% of centres in France and India primarily use college educated employees, compared to less than 10% in most European countries.

- *Training*. Newly hired workers typically receive 15 days of initial training, with somewhat less in coordinated countries (14 days) than in liberal countries (17 days). A much larger and significant difference exists in the amount of time it takes for call centre agents to become proficient on their job – from 8 weeks in coordinated countries to 12 in industrialising economies and 16 in liberal economies.

- *Staffing*. Twenty-nine percent of the workforce in call centres is part-time or temporary, with coordinated economies making the greatest use of non-standard work arrangement. But there are also important differences across countries. Over 60% of the South Korean workforce and 50% of the Spanish workforce is temporary, while 100% of the Indian workforce is full-time.

Work Organisation

- *Job discretion*. Job discretion is generally low, but substantial differences exist across coordinated, liberal market, and recently industrialised economies. In liberal market economies, the proportion of call centres with low job discretion is 49%, as opposed to 29% in coordinated economies, and 34% in recently industrialised ones. In India, 75% of call centres have low job discretion.

- *Performance monitoring*. The frequency of performance monitoring (feedback on performance and call quality, call listening) varies cross-nationally. These monitoring activities typically occur on a monthly basis in coordinated countries, on a fortnightly basis in liberal market countries, and on a weekly basis or more in industrialising countries. Monitoring activities in Indian call centres are the most intense of any country.

- *Teams*. The use of self-directed teams is low, with 60% of centres making virtually no use of these work groups. Sweden is the exception, with at least 60% of the workforce in the average centre involved in self-directed teams. While the reported use of problem-solving teams is high (80%), only a small proportion of employees in each call centre is involved in them.

Collective Representation

- Fifty percent of call centres are covered by some form of collective representation, i.e., collective bargaining, works councils, or both. However, collective representation is highest in coordinated countries (71% of call centres), lowest in liberal market countries (22%), and intermediate in industrialising countries (36%).

- Coordinated countries, with higher levels of collective bargaining coverage, have significantly lower wage differences across call centres, compared to those in either liberal market economies or recently industrialised ones.

- The union wage premium varies considerably by country and type of economy: A union wage premium exists for workers in Germany, Canada, the US, and South Korea.

Subcontractors and In-House Call Centres

In virtually all countries in the study, subcontractors differ significantly from in-house centres in the types of services offered, the organization of work, the choice of human resource practices, and turnover rates.

Compared to in-house centres, subcontractors are more likely to focus exclusively on sales and outbound calls. They make greater use of part-time and temporary workers, offer lower discretion jobs, have higher levels of performance monitoring, pay lower wages, and are less likely to be covered by union contracts. Thirty-three percent of all call centres are subcontractors, but they employ 56% of employees in this survey.

- *Training*. Subcontractors provide less training than in-house call centres (14 days vs. 20 days).
- *Wages*. On average, subcontractors have 18% lower wages than in-house call centres.
- *Job discretion*. Job discretion is lower in subcontractors, with 48% of subcontractors providing low discretion jobs, as opposed to 35% of in-house call centres.
- *Performance monitoring*. Performance monitoring activities are more intense in subcontractors, occurring weekly, as opposed to monthly in in-house centres.
- *Staffing*. Compared to in-house centres, subcontractors typically use more part-time workers (20% vs. 15%) and more temporary workers (15% vs. 10%).
- *Collective representation*. Twenty-nine percent of subcontractors have some form of collective representation, compared to 41% of in-house call centres.
- *Target times*. Subcontractors typically answer 90% of calls within the set target time (20 seconds), while in-house call centres answer 85% of calls within the set target time (20 seconds).

Business-to-Business Centres & Mass Market Centres

Customer segmentation strategies are growing and these influence human resource strategies and the quality of jobs.

Business-to-business centres differ in important respects from centres that target the mass market or the general public. With higher value-added products and services, centres that target large business customers are more likely than others to engage in customer relationship management and to focus on service quality. As a result, they are likely to hire more skilled employees and adopt a more professional or 'high involvement' approach to human resource management.

Compared to call centres serving the mass market, call centres that serve business customers make greater use of sophisticated customer relationship technologies (e.g., electronic customer management systems), offer better quality jobs, pay higher wages, use team work more extensively, employ a greater proportion of full-time permanent staff, and are less likely to be covered by union representation.

Customer Relationship Management

- *Relationship building*. Call centres serving business customers are more likely to try to build relationships with customers.

- *Technology*. Customer interaction enhancing technologies (CRM, web-enablement) are more prevalent in business market call centres (38%) than mass market call centres (22%). Mass market centres are more likely to use technology that substitutes for human interaction. Forty percent of mass market centres use IVR or VRU, as opposed to 25% of business market call centres.

Selection, Staffing, and Wages

- *Selection.* Business market centres are more selective in who they hire.

- *Staffing*. Business market centres are less likely to use non-standard forms of employment.

- *Wages.* Wages in business market centres are typically 10% higher than those in mass market centres.

Work Organisation

- *Job discretion*. Job discretion is higher in business market centres - 28% have jobs with high discretion, as opposed to 18% in mass market centres.

- *Performance monitoring*. Performance monitoring activities typically occur once a month in business market centres, and several times a month in mass market centres.

- *Teams*. One-third of business market centres have at least 50% of agents in problem-solving teams, while only 23% of mass market centres do.

Collective Representation

- Collective representation is lower in business market centres (37% coverage) than in mass market centres (44% coverage).

Call Centre Outcomes

- *Total turnover*. The typical call centre reports a total turnover rate of 20% per year. This includes promotions, voluntary quits, retirements and dismissals. However, there is great variation in turnover, ranging from a low of 4% in Austria to 40% in India. Median turnover is 15% in coordinated countries, 25% in liberal countries, and 23% in industrialising countries.

- *Workforce tenure.* Across all the countries in the study, approximately one-third of the call centre workforce has less than one year of tenure at work. This varies markedly from less than 10% in countries like Austria or Sweden to almost 60% in India; and also between the different types of country – from 16% in coordinated countries, to 21% in liberal, and 38% in industrialising countries.

- *Costs of turnover.* The costs of turnover are high. On average, replacing one agent equals 16% of the gross annual earnings of a call centre worker – that is, the simple replacement costs of one worker equals about two months of a typical worker's pay. If lost productivity is taken into account, replacing one worker equals between three and four months of a typical worker's pay.

- *Labour costs*. The costs of turnover are high, particularly given that labour represents a high portion of total costs in call centres – typically 70% of costs in liberal market and coordinated economies and 57% in industrialising countries.

- *Turnover and unions.* Across all countries in this study, call centres with union coverage have 40% lower turnover rates than those without coverage: 14% annual turnover in union workplaces compared to 24% in non-union sites.

- *Turnover in subcontractors.* On average, turnover rates are 25% per year in subcontractors, compared to 19% among in-house centres. This pattern holds across most countries in this study

- *Sales growth:* Across all call centres, managers reported sales growth that averaged 10% per year, with a range of 5% to 18% per year, in all but 3 countries. The three exceptions were India, (89%), Brazil (38%), and Poland (23%). The typical or median call centre had a 5% growth rate in annual sales.

- *Job quality*. If the extent to which a job promotes employee well-being is used as the primary indicator of job quality, then a high quality job will combine high job discretion with low performance monitoring. Using this definition:

  - 32% of call centres have high to very high quality jobs but only 12% of agents work in such jobs.
  - 38% of call centres have low to very low quality jobs and 67% of agents work in such jobs.

- *Job quality across economies.* Job quality is highest in coordinated economies and lowest in industrialising economies. In coordinated economies, more call centres have high to very high quality jobs (41%) than low to very low quality jobs (24%). In contrast, in liberal and industrialising economies, more call centres have low to very low quality jobs (48% and 50%) than high to very high quality jobs (25% and 21%),

- *Job quality and subcontractors.* Fifty-three percent of subcontractors have jobs of low to very low quality and 22% have jobs of high to very high quality. In contrast, 32% of in-house call centres have jobs of low to very low quality and 37% have jobs of high to very high quality

- *Job quality and turnover*. The typical level of turnover in call centres with very high quality jobs (high discretion/low monitoring) is 9%, whereas it is 36% for low quality jobs (low discretion/high monitoring).