Location, Skills and Technology in the Call Centre Industry.

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On the 11th March, Convergys, a major US based call centre operating company announced the expansion of its Newcastle -upon Tyne operation with 400 new jobs being promised, in addition to the 600 workers it had previously employed. So what makes this announcement significant? The call centre industry in Northeast England has developed at an incredibly fast pace since the early 1990’s, and announcements of this kind have been commonplace. Covergys announcement is noteworthy due to the specific location it intends to use for its new operation. That location is the call centre in central Newcastle which was occupied by Lloyds/ TSB and employed 900 agents prior to it closure in November 2004, with its jobs being “offshored “ to a new centre in Mumbai India. This announcement appears to confound the arguments used by Lloyds TSB to justify “offshoring” the Newcastle jobs, they had repeatedly claimed that staff turnover at the Newcastle centre was too high, and that recruitment was also problematic. Perhaps more significantly it also contradicts those who since the announcement of Lloyds/TSB closure in 2003 have been predicting the inevitability of wholesale “off shoring” of the entire call centre industry in the North –East, arguing that it would disappear as rapidly as it had appeared.

Whilst the reality of the movement of Uk call-centre jobs to India cannot be denied, the North East has not felt it’s impact to a large extent, with only the Newcastle operations of Lloyds /TSB and National rail enquiries being the major casualties.

This points to the need to explore and explain two key inter-related areas, namely the significance of location within the call –centre industry and the dynamics of the “off shoring” phenomena.

So how important are local conditions in determining the emergence and sustenance of call centres? This question can be answered, and indeed has been answered in a number of different ways. It can be argued that locality is irrelevant to great extent; this line is particularly evident in the work of writers such as M Castells (1996), who sees the rise of the information technology systems as the key determinant in their existence.

Call routing technology allows the routing of business to locations with spare capacity seamlessly. This can be seen as “time-space compression” in one of its purest forms. In simple terms the customer can dial a number and be answered on Wearside, Mumbai or Bangalore. This also contributes to the efficiency and cost effectiveness of such operations as it prevents both overloading of staff and over-capacity in equal measure. Technology, it may also be argued is a major contributor to what can be termed the “portability” of call centres, i.e. that the information technology infrastructure of any operation of this kind is finite and will require major upgrading or replacement on a 5-9 year timescale. Hence these at least technologically driven, and at most technologically determinist arguments support the view that call –centre operations can be established anywhere given the availability of a utilisable telecommunications system. In this manner the establishment of the Indian call centre industry can be explained by the rapid, state backed development of high-speed telephone exchanges throughout the 1990’s.
However it becomes rapidly apparent to anyone examining the call centre industry, in any depth that location, whilst technically possible anywhere given the correct communications environment is a highly significant factor. The issue of location in the current debate over off shoring has concentrated primarily on one issue, that of labour costs. It is suggested that savings of 40% plus can be made by transferring operations to the Indian subcontinent from locations in the UK. This again presents a picture of a wholly “portable” industry, which will follow the logic of capital around the globe seeking ever greater efficiency via the minimisation of labour costs.

This model however is too simplistic, it ignores the complex interplay of locality, available skills and labour and culture, which operates within the call-centre industry. Indeed this is demonstrated by the Convergys announcement. Convergys is a US owned company whose business is to operate call centres on behalf of client organisations. As an outsourcing company they operate call centres in the UK the Us and India. This is worth noting as if the logic of off shoring as outlined above was being followed it would suggest a concentration of operations in the subcontinent to the detriment of the UK. Convergys announced the reasons for the expansion of their Newcastle operation as being based upon; the demands of their corporate customers Stephanie Wilson the company’s Chief executive explained in an interview with the Newcastle Journal

“Our European operation is headquartered out of Newcastle and because our business is outsourcing it’s about offering our clients operations wherever they want them. Yes, we run Indian call centres, but up to half our clients want their calls handled out of the UK.” (Newcastle Journal 11/03/2005)

One could speculate as to the reasons why Convergys clients want their calls handled from within the UK, but it is perhaps more important to examine Convergys reasons for increasing its North East based operation, it is based upon the call centre labour force and its attendant skills. Wilson further argued

“ Newcastle is a key location for us-not only can we draw on a large pool of skilled professionals locally but it has a vibrant reputation” (Newcastle Journal 11/03/2005) This statement is noteworthy as it is not about cost but labour, skills and local culture. Interestingly these notions were also picked up by the Northern TUC’s regional Secretary Kevin Rowan, in his response to the announcement.

“people are realising that it’s the people that are important in this process and there is something about folk in the North-East that people quite like and enjoy.” (Newcastle Journal 11/03/2005)

Whilst rather simplistic and eminently contestable this statement is interesting, as it does not use the language of cost and productivity, it instead appeals to a wider idea of locality and the quality of human resources available.

As At this point some examination of the Call centre industry in the North East is needed. Call centre operations have grown rapidly over the past decade, the industry is most highly concentrated on Wearside, at Doxford Park, and the Riverside enterprise parks on the North bank of the Wear, the other major clusters of call centre activity are in Central Newcastle, and in the Team valley to the West of the city.
These locations have developed largely due to very attractive packages being offered to companies to site their operations within these areas, both by the now defunct Tyne and Wear Development Corporation, Regional organs of National government such as Government Office North-East and Local Authorities.

Development of enterprises such as call centres have been characterised as arising from the need to re-invent the employment base of the North east, traditionally associated with “heavy industry” and in recent decades its decline and consequently high levels of unemployment. Call centres however do not provide “replacement jobs” for those who might have previously been employed in industry. The call centre phenomenon is part of a longer and more complex story.

Alongside the well-known story of the decline of coal, shipbuilding and heavy engineering in the North East, there is another less well-known development. During the Second World War, and its aftermath several new and highly significant sectors of employment appeared in the area. Firstly with the relocation of civil service clerical functions away from London to the region, the most striking being the enormous Ministry of Pensions site at Longbenton on Newcastle’s northern edge. Secondly the development of light engineering and electronics manufacturing and thirdly the development of a regional “rag-trade” in the form of the establishment of a garment finishing industry. The last two industries have also declined in numbers and significance in recent years, in the case of electronics and garment finishing this has been due to competition from overseas labour markets. But their place is important if the call centre industry in the region is to be understood. This is because these post-war industries established and expanded employment opportunities for women and part-time workers in general which were never available from traditional industries. It is precisely this section of the North East labour force that now works in call centres. Seen from this perspective the call centre industry could be argued to be another development, which an already established and flexible workforce has quickly adapted to. The major question I how sustainable is it? If we look to the past the prospect appear grim, garment finishing declined in the face of cheaper labour costs overseas, as did electronics, which as recently as the mid 1990’s was being touted to develop further within the region, however the manufacture of microchips by Fujitsu and Siemens was embarrassingly short lived in the face of competition from China. What if anything makes call centres different?

The North East’s call centre industry begins to make more sense if the concept of “Glocalisation” as developed by Robertson (1995) is deployed. Rather than viewing globalisation as and economic river flowing to the point of least cost, Glocalisation allows an interface, and indeed a dialogue between both the global and the local. One North East call centre does this in a very literal sense. Whilst much attention was paid to the rundown and closure of Lloyds/TSB’s Newcastle operation it has maintained it operation in Sunderland. I have been lucky to interview a number of people who work there. One worked as a “call marker” this is the quality control process within the industry. Markers listen to recordings of agents’ interactions with customers and mark them according to criteria such as content, accuracy, politeness etc. The Wearside operation had previously worked in house and done some marking of work carried out by Lloyds/TSB’s Welsh call centre based at Bridgend. However the opening of the operation in Mumbai meant that call being processed India, i.e. call that would have been handled by the defunct Newcastle operation were being shipped back to the North East for marking. It was also the case that the Wearside operation played a major part in training Indian agents as training calls are subjected to marking...
to ensure a minimum quality of service prior to the introduction of live calls. The point to be re-iterated here is that whilst agent jobs have left the region, other functions have remained and persisted, in the shape of training and quality control. This also modifies the traditional notion of “glocalisation” within which the global shapes the local, as it shows how the local speaks to and informs global practices via an interdependent relationship.

The previous example also shows how the call-centre industry in the North East has matured, i.e. it is able to provide and export skills in terms of training, call marking and quality control. This is a valuable asset and, one that embeds the existing operations and renders them even less portable and arguably less vulnerable to “off-shoring.” It can be argued that it is this established infrastructure with the ability to provide efficient agent training and quality control is the call centre industry’s equivalent of “Research and Development” departments in more traditional manufacturing based industries.

As the personnel manager at Royal Sun alliances “More Than” contact centre told me, “it is how calls are handled that make the difference.”

She explained that in the financial services industry products are highly competitive, and working around very similar margins. As we have already established all call centre operations require similar technical infrastructure to exist at all, therefore advantage over ones rivals is not to found via the “hardware” of the process. Rather, the advantage is to be gained by having efficient and competent agents who have a good knowledge of the products they are selling or servicing, and crucially can maintain and manage their interactions with customers. In this sense for the call centre industry training and monitoring of agents interactive ability can be argued to be the key element of the business.

It is also relatively costly, initial training for call centre workers is not a short process, the usual period is 5-6 weeks. This time is spent covering the basics of how to manage the technology and the basics for interacting with customers. Additional training time then has to be added to allow agents to sell specific products. These periods again can be lengthy, particularly when they involve the sale of financial products such as mortgages or life insurance as mis-selling can have major consequences for companies, in the shape of fines and the loss of their reputation.

So training a new call centre full of agents from scratch is not an easy option, especially when within existing operations new recruits can be mentored by more experienced agents and better integrated into teams.

Convergys decision to expand their operations within the North East, begins to make increasing sense if locality, a skills infrastructure and the labour market are considered as a configuration. For example local Further and Higher education providers also contribute to training, City of Sunderland College an FE provider run a basic skills course aimed at “pre-training” individuals who otherwise would not be recruited as agents, part of this of course involves work-experience in Wearside’s call-centres. The University of Sunderland’s Business School offer a “Diploma in Call centre Management.”

The relative size of the North East call centres also works in their favour in resisting the “offshore” option. A report commissioned by the DTi in 2004 found that whilst the North East of England had the least call centre operations of any part of the UK, the operations within the region were on the largest scale of any in the country with over 75 % of operations having more than 50 agent positions (Dti 2004). In effect the
operations have any economy of scale, which makes them more efficient than smaller operations. Again this makes the region attractive for an “outsource” provider such as Convergys.

One development, which has emerged in the past few years, is the use of call centre operations by Public services. Some are fairly well established, for example NHS direct, also the DVLA in Swansea. Such operations are relatively unproblematic as they are dealing with generic problems within which a particular locality is not usually significant. However under the Governments “e-government schemes” there is an increasing pressure for local authorities to streamline their information and communication systems. Call centres style operations by local authorities are therefore increasing. In early 2004 City of Sunderland Council opened its own call centre operation “City Direct.” The service aims to offer advice on housing benefit, council tax and refuge collection, but will later expand to offer advice on a wider range of services. “City Direct” makes sense for a the Local Authority as it has been a major player in encouraging the growth of call centre’s on Wearside since the early 1990’s thus it has good knowledge of the industry. Interestingly it has chosen to site it operation at Doxford park i.e. it has taken its business to a call centre environment, rather than import it into existing council premises.

It has encouraged existing council staff to move to this new way of working via incentives such as salary increments, and importantly it has been able to recruit staff with call centre experience from existing operations in the area. Thus the teams at “City direct” have a wide mixture of skills. At present teams are based around specialist knowledge e.g. council tax or housing benefit, but staff are rotated around teams in order to gain additional knowledge, the idea being that all teams will eventually become multi-skilled. This development is interesting for a number of reasons. Firstly, the experience itself is a valuable commodity, this is illustrated by the fact that the Local Authority is liaising with a number of other Local Authorities in England about how to set up similar operations, i.e. call centre know how has become exportable. Secondly the operation is highly attractive to experienced call centre workers. This is due to the fact that positions are offered as Local authority employees with better pay initially and an incremental pay scale based upon service, prospects for promotion are better too as are pension arrangements. A third major advantage which workers at “City direct” who had previously worked in other call centres raised with me was the lack of pressure to sell products. Many had begun working in call centres such as Barclays or Lloyds TSB in the mid 90’s when agents were primarily working on inbound calls relating to answering customer enquiries, however as the operations became increasingly focused on sales they had become increasingly uncomfortable. Fourthly, and perhaps most importantly in the context of this paper it is very difficult to see how such an operation could be “offshored”. This is of course due to ideas about importance of Local Authorities in creating and maintaining local jobs, not to mention a highly unionised workforce, but perhaps more significantly the job relies on local knowledge and a cultural awareness of its customers.

So in the light of the ideas considered above it can be argued that for the call centre industry in the North East at least, “offshoring” on the Lloyds TSB model is unlikely to occur. This could be due to the relatively long term required before any net gain is made, and the negative press the entire process attractive, with the Lloyds /TSB staff association encouraging customers to move their business elsewhere. Another explanation for this action may be that of organisational structures. Call centre operations can be roughly divided into three types of organisational structures. Firstly operations that remain “in house” as departments of a wider company e.g. Barclays,
More Than, Lloyds /TSB. Secondly “outsourced operations where a call centre operation is provided as a service to a company by a specialist company e.g. Convergys. Thirdly public sector call centres, such as “City Direct” which are departments of directly elected authorities.

In the North East it has only been the first type of organisation that has thus far attempted “offshoring” is operations. For the second type of operation the origin of outsourced work may already be from overseas itself, (in the case of Convergys Newcastle operation, clients are Europe –wide). In this sense the North East is in effect proving its worth as an offshore location in itself, but via the medium of an outsource company.

The challenge for any call centre operation regardless of its location is how to attract train and crucially retain its labour force. Over the past 2 years I have spoken to a number of workers, whose ages have ranged between their late teens and their early fifties, their situations have varied from students living in parental homes to single parents. However with the exception of senior managers and the workers at “City Direct” they all have something in common, they do not envisage themselves as remaining in the industry on a long-term basis. Some such as students rather obviously saw this as a piece of temporary employment, and described it as only being endurable on the basis that they knew it wouldn’t be forever. However at the other extreme a former pipe fitter in his early fifties who had worked in the industry for four years was undertaking a course in “life coaching” and hoping to leave within 12 months. A transient labour force, which is not wholly committed to the work, is problematic for those who are trying to control quality often by systems of targets and incentives.

One contact from “More Than” explained,

“there are opportunities to make more money but you have to fulfil the targets, these are scored on accuracy of advice, “magic ingredients” (certain phrases which make your conversations more user friendly) and sales. You need to get “green” scores (80%) for all of these for the month in order to get your bonus. In the case of someone like myself who works part-time it not worth it, I did it a while ago and after tax I was only about £30 better off.” For the younger ones who work here especially the students, can’t be arsed they’d rather just have a laugh.”

There are also few opportunities for promotion due to the flat nature of call centre staffing structures; this makes them efficient by at the cost of incentives. Team Leaders are typically paid about £3000 per year more than agents (between £15,500-17,000) but have responsibility for the performance of around 15 workers. Beyond this there is little prospect of further promotion. On this basis it can be understood why few aspire to long-term careers in such an industry. It can also be contrasted with routine white-collar work in the past. The Civil service may not had offered the highest rates of pay or exciting work, but it did offer the prospect of promotion through the structure, long-term security and a non contributory pension scheme. Consequently workers had a reason to “stick with the job”. Call centre workers in comparison are more interested in and more likely to take alternative career trajectories if at all possible.

Staff Turnover was the official reason Lloyds/TSB gave for its decision to close its Newcastle operation and open in Mumbai. However it appears that the same problems are already evident in the Indian call centre labour market.

Sunil Raman writing for BBC News Online in August of last year reports
“India’s booming IT sector is faced with a huge problem of talent retention...Turnover rates as high as 50% have created a major business problem for BPO (Business Process Outsourcing) companies as they compete with each other.”
BBC News Online 05/08/04

Raman explains that as call centres expand already, trained workers are at a premium and consequently they can improve their wages and conditions by moving companies. He further points out

“A major problem facing the industry is the limited career options it offers youngsters...companies looking for trained youngsters offer higher remuneration. That in turn leads to these youngsters moving jobs in less than a year.”
BBC News Online 05/08/04

The article explores how recruitment managers are attempting to fill the gaps by recruiting older workers. However the same structural problem clearly exists within both UK and Indian call centre structures. The same lack of desire to remain working in the industry I have encountered in the North East is also evident in Kiran Mirchandani’s (2004) research with workers in New Delhi. He reports

“Despite having undergone a long process to obtain their jobs, call centre workers are unconvinced by the arguments about the quality of call centre jobs. Most of those interviewed for the present project noted that they do not anticipate remaining in the call centre sector but had taken their jobs due to a lack of other job opportunities.”
Mirchandani  (2004:368)

One of Mirchandani’s respondents commented

“I don’t have any future plans with this call centre. Not more than a year because there’s no future. You can’t sustain taking calls throughout your life. It’s just not possible. And this is no career. It’s just a short –term kind of job.”
Mirchandani  (2004:368)

I many ways call centre work is even less attractive to Indian workers than their UK counterparts due to the social and cultural problems it causes. Whilst technology is able to compress “time and space” it cannot deal with the fact that time itself has important social dimensions. Indian workers servicing the US and the UK are governed by the time in the country where the call originates from; consequently shifts for call centre agents begin late in the afternoon and stretch into the night. Mirchandani’s(2004) sample of workers commented on how this caused disruption in their home lives, social lives and lead to health problems. Call centre working practices also challenge cultural norms, in a recent BBC TV programme on call centres on female agent commented on how it is not seen as acceptable for young women to be out all night working, as traditionally women who work at night are assumed to be prostitutes!
In conclusion, location skills and the labour market all have significant impacts on the call-centre industry, but it would appear that “offshoring” cannot address the issues of staff retention and turnover and their subsequent impact the human resource infrastructure which is central to these operations. However issue of the limited career opportunities the call centre industry offers its workers is unlikely to be addressed in the near future, instead what is likely is that areas such a the North East of the UK will remain important as long as companies requiring outsourced services specify that they remain within Europe. The “offshoring” phenomena will remain, but there are signs that it is already moving on to pastures new. On 05/03/05 the Hindustan Times reported that

“India, the traditional hub for business process outsourcing, and the archetypal offshore call centre location has been knocked of the top spot by South Africa.” 05/03/05 Hindustan Times

This assertion was based upon a survey conducted by the UK based Ion Group. The key advantages according to Ion was that South Africa could

“offer the advantage of having a similar time-zone and culture to the UK.” 05/03/05 Hindustan Times

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Also my own notes and transcripts of interview with call centre workers 2003 -date