



Contact Centres in Scotland - The 2011 Audit

**A Report for Scottish Enterprise/
Scottish Development International**

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Section 1 Introduction - Background to the 2011 Report

1.1 The Long Term Importance of Contact Centres to Scotland's Economy

Over the past three decades the Scottish economy has undergone major restructuring characterised by the transition from the traditional heavy industries to increasingly service-based activities. While important continuities existed, not least in the important legacy of Scottish-based financial services, the contraction of manufacturing has nevertheless been remarkable and has included not just older manufacturing, shipbuilding extractive industries, but also much of the more recently-established electronics production.

Within this context, call centres, or contact centres - to give them their more recent appellation - became an increasingly important area of economic activity from the early 1990s onwards. During the years of its most rapid expansion, the sector accounted for a large proportion of new employment; in 2001, the UK Department of Trade and Industry estimated that contact centres were responsible for 38 per cent of all new jobs created in Britain (Taylor and Bain, 2003: 1). This percentage was considered to be even higher in Scotland.

Indeed, the UK government's survey of contact centres (DTI, 2004) showed that Scotland, the North West of England and Yorkshire had the largest concentrations of contact centre employment in the UK. The so-called peripheral regions (Richardson and Marshall, 1996; Bristow et al, 2000) had become important locations because of multiple factors including those relating to the lower relative labour costs (than in London and the South East of England), the availability of customer service skills and, of course, the locational decisions taken at corporate level to contact centres in these particular regions.

Research conducted by the author (and his late colleague, Peter Bain) had charted the rapid growth of this new form of interactive customer contact. In 1997, the first authoritative study of the industry in Scotland, sponsored by Scottish Enterprise, established the level of employment (16,000), the number of centres (119), workforce composition, sectoral and company breakdown, the nature of workflow, geographical distribution and locational dynamics (Taylor and Bain, 1997). This path-breaking report provided valuable information for Scottish Enterprise, local enterprise bodies, the Glasgow-based Call Centre Association (now Customer Contact Association, <http://www.cca-global.com/>) and employers throughout Scotland as they developed policies and strategies geared to facilitating continued growth.

Three years later, in 2000, the authors completed a further study which captured the remarkable expansion of a sector, which now employed 46,000 in 220 centres (Taylor and Bain, 2001). This study also focused on foreign language capabilities and requirements as multilingual provision became established as a specialised area of contact centre activity.

Most significantly, these first two surveys emphatically demonstrated that the contact centre would remain an important locus of economic activity for the foreseeable future, a conclusion which challenged widely held-perceptions that it was a transient phenomenon that was particularly vulnerable to the rise of the internet.

1.2 Offshoring and the Threat to Scottish Jobs

In 2002, both UK and non-UK owned firms which operated contact centres first offshored some of their activities to low-cost 'remote' locations, particularly India. In the summer/autumn of 2002, decisions by the Prudential and HSBC to close centres in the UK and open facilities in India and, in the case of HSBC, also in south-east Asia, represented significant steps in the globalisation of voice services (see Taylor, 2010a).

Taylor and Bain's next study (2003) was undertaken when widespread concerns over the future of the contact centre sector were being raised in the face of the perceived threat from offshoring to India. Such was the mood of the time that many predicted the extinction of the domestic sector¹. Even supposedly informed sources forecast contraction. One influential contact centre consultants, Mital (2002) predicted that Scotland would lose more than 100 of its centres by the end of 2003. Countering these unfounded claims, a key conclusion of the Taylor and Bain report of 2003 was that the Scottish sector was still growing (56,000 employees in 290 centres) and would continue to expand.

Evidence from companies in both source and host geographies - Scotland/UK and India - demonstrated that contact centre offshoring was more complex and contradictory than the simplistic analysis of an irresistible shift to low cost geographies. Admittedly, lower costs, particularly labour arbitrage, was the principal factor driving companies to locate in India, but this first comprehensive survey revealed multiple factors that were causing companies either to reject offshoring or to limit its scale.

For many companies the advantages of offshoring, did not necessarily outweigh the many disadvantages, which included; linguistic and cultural difficulties, labour supply and management issues, problems of controlling operations at such a distance, unanticipated start-up costs, supplier reliability, perceived damage to brand and customer resistance. The study also suggested that high levels of attrition in India and rising labour costs would, in the medium term, undermine India's BPO (Business Process Outsourcing) proposition.

This influential report concluded with a significant finding that challenged perceptions. While the volume of contact centre services to be migrated to Indian would increase and the Indian BPO (Business Process Outsourcing) would rapidly expand in terms of value and levels of employment, growth would continue in the domestic (i.e. Scottish and UK) contact centre sector. Since the overall demand for contact centre services was increasing, then both the *onshoring* and the *offshoring* could grow simultaneously.

A further detailed qualitative study of the financial services sector in Scotland in 2005-6 deepened our understanding of the nature of offshoring, focusing not merely on contact centre services but also on the migration of the non-customer facing 'back office' (Taylor and Bain, 2006). The report concluded that Scotland's financial services had been only marginally affected by offshoring. Indeed, within the evolving landscape of *global* sourcing Scotland was able to position itself as a successful *nearshoring* destination, offering an attractive

¹ Brian Donahoe MP asserted that 'there would not be a call centre in Scotland in five years' because in India call centres 'operate at a fraction of the cost of those in the UK. (Glasgow *Herald*, 14 March 2003).

combination of relatively low costs and a highly skilled workforce, as well as continuing to grow its domestic industry and in particular its own outsourcing segment.

1.3 On the Brink of Crisis -The 2008 Contact Centre Audit

For all its strengths the 2005-6 report (Taylor and Bain, 2006) had not updated contact centre employment levels and sector-wide data as had the previous audits of 1997, 2001 and 2003. As the media, government agencies and companies were relying on outdated statistics, it was clear that a new thoroughgoing audit of the sector was required. What gave added urgency were renewed fears over the sector's future following high-profile closures, notably the Thomson travel centre in Glasgow with the loss of 450 jobs. Its closure, on the grounds that customers increasingly were using the internet to book holidays, raised bigger questions of the longer term viability of the voice model of customer servicing. The decision by Telewest to close its South Gyle centre with the loss of 150 jobs following merger with Virgin Media, contributed to the prevailing mood of uncertainty.

The facts of important new inward investment projects (O2, Dell and Barclays Wealth Management) and reports of the return of voice services from India by Esure, Powergen, Abbey and TSB/Lloyds (Taylor and Bain, 2006: 209-10) even failed to counteract negative perceptions.

In these circumstances, then, of growing market instability, continued corporate re-structuring (particularly the consequences of merger and acquisition), operational re-organisation and re-engineering, and the pressure exerted by India and other low-cost global destinations, it was imperative to undertake a fresh study, five years since the previous audit.

The resulting 2008 Scottish Contact Centre Audit (Taylor and Anderson, 2008) showed that employment had grown by 30,000 in the half-decade from 2003 to stand at 86,000 in 2008. While centres were dispersed, with several smaller towns having had their first centre established in the intervening period. Nevertheless, the overwhelming bulk of employment was to be found in the central belt with some quite notable concentrations in specific localities; for example, 25,000 were employed in the sector in Glasgow alone, more than 12,000 in Lanarkshire and almost 10,000 in Edinburgh. Even more remarkable were the consequences for local labour impacts; almost one in ten of those in employment in Glasgow and Greenock were employed in a contact centre.

Financial services remained the most important industrial segment with 38 per cent of all contact centre employees, followed by the public sector, media and communications, telecommunications and utilities in a market landscape of sectoral diversity. One significant finding was the continued dynamism of outsourced activity with domestic and internationally owned third-party providers accounting for almost 30 per cent of contact centre employment.

In overall terms, then, the Scottish contact centre sector had continued to demonstrate a remarkable vitality. Although the *pace* of expansion had slowed, growth in the absolute number of employees had occurred. Many organisations had innovated, blending interactive voice provision with other channels of customer contact including email and internet based applications. By 2008 the threats from offshoring had further diminished, as offshoring organisations understood the rationale for a bifurcated service delivery; standardised, mass market, relative low complexity services could be delivered from remote locations while higher

added value services that required more nuanced customer interaction should be retained onshore.

There was, however, a major research problematic at the heart of the 2008 study. It was not a question of the robustness of the data, for near complete returns were received from companies operating contact centres in Scotland. The problem lay in the fact that the data was gathered between February and June 2008, months before the cataclysmic events of September 2008 and the onset of acute financial crisis in the financial sector and beyond. Admittedly several events occurred before and during the data gathering period that presaged the imminence of systemic problems in financial services that in turn might later have significant later problems for the contact sector. The crisis at, and subsequent nationalisation of, Northern Rock in 2007 clearly occurred before the research commenced. During the first half of 2008, there occurred both the Royal Bank of Scotland's and the HBOS's rights' issues, Barclays plc's closure of the recently acquired Goldfish centre in Cumbernauld, and the HSBC's closure of its Livingston centre (Taylor and Anderson, 2008: 4).

To sum up the problem, the data was gathered before companies had developed operational responses to the crisis and the organisational consequences for contact centre activities had been implemented. Any projections based on the findings of the 2008 inevitably had to be regarded as highly provisional. It is important to recall that organisations widely reported a difficulty in predicting the future size of their centres because of their perception and experience of profound market uncertainty. Most obviously this unpredictability was reported by financial services companies, but it was not confined to them as companies in all industry sectors and also in the outsourced segment foresaw market volatility.

The 2008 report is best regarded as accurately representing the state of the Scottish contact centre industry at the period from February to June 2008. The events of September 2008 and after were to transform the landscape of the financial sector in the United States, the United Kingdom and globally. It was unconceivable that the crisis would leave the Scottish contact centre unaffected. At the time of the report some crucial development were taking place, such as the Lloyds-TSB's merger with HBOS and the almost complete nationalisation of the Royal Bank of Scotland. It was only possible in the 2008 report to speculate on some of the short-term or longer-terms impacts of the financial crisis and the wider recessionary pressures on Scottish contact centres.

1.4 The Need for a New Audit

The need for a new audit emerged quickly thereafter. Industry stakeholders and government agencies were inevitably keen to know how the Scottish contact centre was responding to crisis and recession. Crucially, of course, there was the importance of having accurate data on employment levels, especially given the importance of contact centre employment in particular labour markets and in industrial sectors, especially of course financial services in which, the locus of the greatest concentration of jobs.

The central aim of a new study would be to provide reliable data on, and a thorough analysis of, the 'post-recession' Scottish contact centre market. The question of timing of the new audit was not straightforward. Clearly there was an urgent demand for up to date, but there was a danger that a request for information could be premature and that organisations would be reporting on employment levels and other metrics before the downsizing, restructuring and re-engineering consequences had worked themselves through to the operational level. It was

decided that 2009 was too early as many of the finance sector's redundancies and yet to be announced. 'Creative synergies' following merger and acquisition, which often consisted of combining facilities and posts in order to overcome duplication, took many months to be planned and implemented.

Allowing sufficient time for companies' major decisions to have been conducted and for the organisational implications to have been effected, it was decided to conduct the new audit in 2011. Simply put, conducting this exercise with sufficient temporal distance from 2008 would enable the author to provide an accurate evaluation of the state of the post-financial Scottish contact centre sector. With one or two exceptions the data was gathered between February and August 2011.

1.5 The 2011 Research Project

This study was commissioned by Scottish Development International (SDI)/Scottish Enterprise (SE), and was supported by the Customer Contact Association (CCA). The research team based in the Department of Human Resource Management in the Business School at the University of Strathclyde were committed to providing an *independent* audit of the contact centre sector in Scotland.

Consistent with the principle of providing objective research, the interpretation of the findings would not be influenced by the wishes of funding bodies, nor by any commercial consideration. The researchers were motivated solely by the need to provide reliable data and of the importance of deepening our knowledge of contact centre developments.

An additional important reason for establishing exact employment figures and reliable data on the sector is to corroborate (or challenge) the findings contained in various consultants' reports. These other reports typically rely upon various forms of sampling rather than on the comprehensive data gathering that is involved in a full audit, the central objective of the Strathclyde research team.

It is not difficult to grasp why reports which incorrectly predict contraction or underestimate employment levels are problematic as far as employers, employees and government are concerned. However, it might not be so obvious why an inflated assessment might also cause difficulties. Surely, it may be suggested, a modest degree of exaggeration can only contribute to boosting confidence in an important area of activity in the Scottish economy. In truth, exaggerating the depth of the sector could instil a false confidence which might deflect employers, government agencies and trade unions from developing policies that can address emerging challenges. Effective policy formulation depends upon reliable data.

1.6 Aims and Objectives

The principal aim of the 2011 audit is to provide reliable and wide-ranging evidence of the current state of the contact centre sector in Scotland. This reliable data should help inform the decisions of employers, policy-makers including government, its agencies and diverse stakeholders in relation to the sector. An ancillary aim is to map the longer-term trends in the sector. To this end, the Strathclyde research team included in the questionnaire core questions that were utilised in the four previous audits of the Scottish sector. The result is invaluable time-series data that charts the fortunes of the sector over a decade and a half.

Core questions that aim to gather data on essential aspects of the sector and enable comparisons since 1997 include the following.

- How many contact centres are there in Scotland and what are the current employment levels?
- What do organisations project to be the future employment levels in their contact centres?
- What are the proportions of employment according to the diverse industrial sectors/sub-sectors in which contact centres are embedded?
- What is the extent of outsourcing in the Scottish contact centre sector?
- In what cities and towns are contact centres located? What is the level of employment in these locations and what proportion of the total employment do they constitute?
- Where are the geographical locations of the headquarters of the companies/organisations whose contact centres are located in Scotland?
- What are the characteristics of the sector according to the size of individual facilities?
- What are the principal characteristics of the composition of the workforce, according to contractual status (full-time/part-time and temporary/permanent) and gender?
- What are, and have been, the main reasons for locating and/or maintaining contact centre operations in Scotland.
- What is the extent and character of foreign language provision in Scottish contact centres?

Several additional questions are included which were employed in surveys since 2003. They provide invaluable longitudinal data on areas including resourcing and skills, complementary forms of customer contact, automation, outsourcing and offshoring as follows:

- What are organisations' perceptions regarding the availability of skills, facilities and resources and what might be their requirements in respect of these?
- To what extent have additional forms of customer contact emerged which complement the delivery of voice services? What has been the impact of newer technologies and automation (e-mail, voice recognition, internet, chat)?
- What training requirements arise from changing contact centre technologies and delivery platforms?
- Do organisations anticipate the growth in forms of automation and what consequences might follow from their adoption?
- To what extent do in-house providers utilise domestic outsourcing arrangements?

- What are the current practices and future intentions in respect of offshoring to India and other overseas destinations?
- What have been the effects of offshoring to date on employment levels and on the nature of contact centre provision?
- What might be the future impacts of offshoring on Scotland's contact centre sector?
- What are the disadvantages and disadvantages of offshoring from the perspective of senior managers responsible for contact centres in Scotland?

A final category includes bespoke questions including the following:

- How have the financial crisis and recession impacted upon contact centre operations (including headcount, efficiencies, lean working, application of technologies, performance management etc.)?
- To what extent are the centre's building and accommodation requirements being successfully met and to what extent are they anticipated to be so in the future?

1.7 Methods and Sources

As with previous audits, the principal method of data gathering centred on a questionnaire/pro forma that was distributed to senior managers of all known contact centres in Scotland. This questionnaire is attached to this report (Appendix). As indicated above (Section 1.6) the questionnaire comprised core questions included in previous audits (Taylor and Bain, 1997; 2000; 2003; Taylor and Anderson, 2008), which enable comparisons to be made over time, and bespoke questions designed for this specific study. A number of both sets of questions were formulated following discussion with Scottish Enterprise, the Customer Contact Association and various employers and feedback provided by them on questionnaire drafts. Both closed and open questions were employed, with the latter enabling organisations to expand upon their perceptions of key aspects and developments.

As before, the questionnaire was targeted at the individual contact centre site, which for audit purposes was regarded as the basic data unit. Knowledge of existing contact centres derives from several sources. Firstly, we draw upon the database of organisations and the contact centres they operate in Scotland employed in previous audits and which the researchers have updated periodically. Secondly, Scottish Enterprise provided lists of the known contact centres operating with their local networks which we cross referenced against our database. Thirdly, the Customer Contact Association (CCA) supplied a list of its Scottish-based members in Scotland which were additionally checked against our database. Fourthly, given the expansion of public sector centres, direct contact was made with local authorities, the emergency services and central government agencies to ascertain their locations and contact details. Fifthly, the research team trawled the newspaper database Lexis-Nexis for reports of the opening of new contact centres in Scotland. Finally, several hitherto unknown centres were identified by managers of other contact centres in the course of discussions and interviews.

Having established a comprehensive directory of contact centres in Scotland, the research team made contact with each organisation in order to verify that each centre was still operational and that the information contained on the database was accurate. Through this initial

communication, we acquired the contact details of the senior management nominated by the organisation and/or centre as most appropriate to complete the questionnaire.

In the majority of cases the key informant was the senior operational manager on site, most often designated the Contact Centre Manager, Customer Contact Manager or Operations Manager. Frequently the nominated respondent was a Human Resources Manager. The managerial level and designation of the respondent often differed according to size of the organisation or centre, or the nature of the service provided. In a number of cases, requests for data had to be approved by corporate management and in most of these it was at this organisational level that questionnaires were completed.

Questionnaires were then distributed in tranches to respondents between February and August 2011 either by post or most frequently by email. While a minority of respondents returned completed questionnaires unprompted, the most common form of completion followed an extended telephone interview typically after several attempts to organise a mutually convenient time. This was the most intensive phase of the research project and involved daily telephone contact with centres. This demanding process was unavoidable if a complete audit of the sector was to be achieved.

It should be noted that not every organisation/centre provided responses to each question. In the findings presented below we indicate the number of responses for each question. However, we were able to acquire basic data (numbers employed, sector, locations) for *all* identified contact centres in Scotland.

In sum, this is an audit of the contact centre sector in Scotland which is based on exhaustive data, built from 'bottom up' responses. Taking the workplace as the unit of data, it generates robust data that can then form the basis for a thoroughgoing analysis. Unlike surveys of the sector that involve sampling, extrapolation and estimates, this current audit generates findings based upon exact data.

1.8 Structure of the Report

There are five sections to the report as follows.

Following this introductory **Section 1**, **Section 2** presents a profile of the contact centre in Scotland. Where appropriate the sub-sections consider the evidence in relation to the findings of previous reports, charting sectoral trends over time.

The brief **Section 3** deals specifically with the specific issue of companies' evaluation of the accommodation requirements for their contact centre sites.

Section 4 evaluates the evidence on offshoring and provides an extended discussion of the extent and nature of offshoring, the current and future impacts on Scotland's sector and employment levels and managerial perceptions of the advantages and disadvantages arising from the remote location of services.

Section 5 presents a selection of the comments volunteered by respondents accompanied by a short commentary.

Section 6 draws some overall conclusions including a discursive narrative on prospects for the sector.

Given the wealth of detail in this report, we provide in bold type at the end of each sub-section a short summary of the foregoing evidence and interpretation.

Section 2 Profile of the Contact Centre Sector in Scotland 2011

2.1 Definitions

We repeat the valuable observation made by Incomes Data Services several years ago that ‘not every worker with a telephone and a computer screen is a call centre operator’ (1998: 7). We have always been careful to ensure that the numbers of centres and employment levels are not artificially inflated by including certain forms of clerical work that might involve telephone and computer utilisation, but which should not be included.

Previously, we defined call centres as dedicated operations in which computer utilising employees receive inbound – and/or make outbound calls – with those calls distributed by Automatic Call Distribution (ACD) switches (Taylor and Bain, 1999). In the case of outbound calls complementary technologies such as predictive diallers might be employed to similar effect.

The call centre was distinctively characterised by the *integration* of telephonic and computer technologies and the centralisation of interactive service and sales work that was previously, or might otherwise have been, situated in dispersed locations (Ellis and Taylor, 2006). For the purposes of this report, we make two qualifications to what should be regarded as an appropriate definition for the ‘first generation’ call centre.

First, later adaptations to the call centre model have seen various forms of innovation in ICTs (Information and Communication Technologies), the emergence of ‘virtual’ contact centres in which geographically dispersed sites are integrally connected, new types of screen software and so on. Crucially, though, call centres have evolved to a greater or lesser extent into customer contact centres in which voice services are complemented by, or indeed supplemented by, additional forms of customer contact. These include email, the internet, electronic fax and now SMS, text and web chat. Theoretically at least there has been the emergence of multi-channel contact centres, although it should be noted that this general paradigm shift is far from universally applicable.

Second, it is necessary to acknowledge that while the initial definition is appropriate for enabling us to identify the numbers of voice agents and, suitably expanding the definition, to quantify the numbers engaged in all forms of customer interaction, we also need to take account of those whose employment crucially depends upon the existence of the contact centre but who do not ‘face’ the customers. In this category we should include managerial, supervisory and team leader positions and additional technical and support roles. Taking these into account (Section 2.3) gives a more accurate representation of the total numbers employed in the contact centre sector, but also helpfully distinguishes between ‘front line’ agents and other grades and functions who are not call-handlers but whose employment depends upon the existence of the contact centre.

2.2 Numbers of Contact Centres in Scotland

As in previous surveys, the starting point is to count individual contact centres on separate sites. The total number of contact centres reported here refers overwhelmingly but, as we see below, not exclusively to discrete operations located in distinct workplaces. Our focus on the contact centre *workplace* has been informed by the definitions adopted in the Workplace

Employment Relations Survey (WERS) where a workplace is defined as comprising ‘the activities of a single employer at a single set of premises’ (Kersley et al, 2006: 3).

Accordingly the term ‘workplace’ should be distinguished from that of ‘organisation’, since a single organisation may have contact centre operations in a number of different workplaces. For example, outsourced organisation Hero-TSC has operations in six geographically distinct workplaces across Scotland. Organisation and workplace can be used interchangeably only in circumstances where an organization is located on a single site. Having established that the distinct contact centre workplace is a basic unit of analysis, it is necessary to make three further points of clarification and qualification.

Firstly, we have counted individual contact centres on separate sites even though some may be ‘virtually’ interconnected. Secondly, applying the ‘single employer’ definition includes the case of outsourced firms, which conduct activities on behalf of several different organisations on a single site. Thirdly, in a small number of cases we have counted more than one contact centre as operating from a single site.

The justification for this third qualification is that the organisation (or organisations) regards these operations as distinct contact centres. Often this reflects the fact that the contact centres are embedded in distinct businesses owned by the same organisation. In these circumstances, it is not untypical for a centre in a particular business channel to have more in common (through technological interaction and management communication) with a centre on a different site within the same business channel, than a centre on the same site in operating in a different business channel. In other instances, having more than one contact centre on the same site is the outcome of the disaggregation of a previously integrated business owned by one organisation into different businesses owned by different organisations and operating distinct contact centres.

Taking into consideration these qualifications, we established the existence of 374 different contact centres. As explained in Section 1.7, we drew on multiple sources to identify contact centres and their organisations. While this process was meticulous and we are confident that we have identified and captured data from the overwhelming majority of contact centres in Scotland, we cannot completely guarantee that the list is complete.

A small minority of contact centres may have been missed and, in a few cases, operations may have overlooked where centres are embedded within organisations. Based on the experience of previous surveys, it is reasonable to conclude that there may be another 30 contact centres in Scotland. Rounding upwards in realistic manner, we conclude that there are now 400 contact centres in Scotland.

Further analysis of the database indicates that 248 separate companies or organisations own or are responsible for the 374 contact centres for which we have data. In arriving at this figure, different local authorities are treated as separate organisational entities as are individual government departments. As far as the private sector is concerned a number of issues need to be clarified. In financial services particularly, but occurring elsewhere, as a result of mergers and acquisitions and, to a lesser extent, divestiture to outsourcers, the operating name of a company may not truly reflect ownership. Where there is ambiguity we have been guided by senior management respondents as to whether or not the named organisation should be considered a separate entity.

A final comment is necessary. While the total number of contact centres (400) is the same for 2011 as it was in 2008, this appearance of continuity is deceptive as the intervening period has witnessed some volatility with a significant number of centres closing and others opening. In respect of the centres that have closed, firstly there have been small scale businesses where operations were located on a single site. Many were badly affected by adverse economic conditions. This category includes organisations such as Absolute Telecom, Capital Communications Group, Direct Dialogue, Direct Marketing, Direct Sharedeal, Primus, Harlequin Promotions, Home Delivery Network, Premier Contact Ltd.

A second category might be where organisations with several centres have closed sites in Scotland. Such cases have involved internal rationalisation and re-configuration, leading to the termination of contact centre operations in Scotland (e.g. Teletech, Eon Energy, Hewitt, Sitel, B&Q), even though most frequently the closure of these centres has not meant the end of business operations north of the border. Alternatively, it could mean that companies have retained a contact centres presence in Scotland, with these activities either concentrated into another sites (e.g. British Telecom, Vertex, Thomas Cook, Response) or with specific channels of activity having been closed (e.g. Capita's BBC Audience Line, Virgin)

A third category might be where acquisition or merger has occurred and leading to the rebranding and/or even closure of existing sites and the transfer of to activities the new parent company, often accompanied (e.g. Intelligent Finance to LBG, Norwich Union to Aviva, RAC, Goldfish to Barclays).

As against the 40+ centres that have been closed, slightly fewer are identified as having opened in the period since 2008. New centres include a number in financial services including notably, Tesco Personal Finance, several debt collection operations (e.g. Debt Collect Ltd., Debt Managers) and other emerging organisations (e.g. Homeloans Management). In the utilities industry both Scottish Power and Scottish and Southern Energy opened new centres, the latter taking over the former Goldfish facility in Cumbernauld. In the public new operations included local authority centres (e.g. Dundee City Council, Inverclyde Council, South Ayrshire Council and Western Isles Council), the civil service (e.g. DWP) and the health service with a new NHS24 facility. One high profile start-up was the John Lewis Partnership which has located a new UK-wide call centre in Hamilton. A number of new outsourced centres included Vertex Customer Management and City Park in Glasgow

In section 2.3 and 2.4, the overall change in employment levels since 2008 will be evaluated and in section 2.6 the effect on location will be considered. The impact of these gains and losses according to financial sector will be considered in section 2.11.

The total number of separate contact centres was established following a rigorous process of identification. The database of contact centres drew upon the lists compiled by the researchers in previous audits, supplemented by the detail of organisations and centres provided by the Scottish Enterprise network, the Customer Contact Association, newspaper archives, and by knowledge supplied by managers of existing known centres. In each case a centre's existence was verified by senior management at either site or organisational level. This method delivered a total of 374 known centres, owned or operated by 248 different organisations or companies.

Making a modest upwards revision for the small number of centres that might have been overlooked, it is not unreasonable to conclude that in 2011 there were 400 contact centres in Scotland, overwhelmingly located on separate sites, the same number as identified by the same methodologically robust method in 2008.

More than 40 centres have closed since 2008 for diverse reasons including: small-scale one-site operations vulnerable to adverse economic conditions; larger organisations rationalising existing operations and concentrating services in other facilities; and the consequences of acquisition and merger.

Conversely, slightly fewer new contact centres have been opened in a range of sectors including financial services (e.g. Tesco Personal Finance), utilities (Scottish Power), local authorities, central government and outsourcing. One high profile arrival has been the arrival of the John Lewis Partnership UK-wide customer contact centre in Hamilton.

2.3 Overall Employment Levels

As in previous audits undertaken by the author, and in contrast to other surveys of the contact centre market which measure by 'seat' or 'agent position', we have chosen to calculate the size of the contact centre workforce by *actual* headcount. These headcount figures were provided by managers reporting directly from the contact centre site or by responsible managers (typically HR managers) with organisation-wide responsibilities. Feedback from various stakeholders - employers, government agencies and trades unions – from our previous surveys has confirmed that headcount is a more informative metric than those generally employed by consultants of 'seats' or 'agent positions'. Headcount has several advantages, not least the fact that it permits the workforce to be subdivided into part-time and full-time staff, contractual status (permanent and temporary) and other criteria.

On the basis of the figures provided by senior managers for the 370 contact centres for which we have exact data 85,672 were employed. It is not unreasonable to suppose that the estimated 30 additional centres might be responsible for 4,000 or so employees, rounding the total employment of all kinds in the Scottish contact centre sector upwards to 90,000.

As in the previous audit (Taylor and Anderson, 2008), the research team disaggregated total contact centre employment into customer facing roles (consisting of call handlers and those responding to other forms of customer contact such as email or web queries) and those whose employment is integral to the contact centre, but whose principal role is not defined by interaction with customers. This latter category includes managerial, supervisory, technical and other support roles.

Although not every company provided data for these separate roles, figures for as many as 257 centres were given, enabling us to extrapolate to the remaining centres with confidence. Applying the percentages for the different categories derived from this large sample population to the total Scottish employment of 90,000, gives the totals for customer-facing roles at 73,695 (82 per cent), team leaders at 6,090 (6.8 per cent), contact centre managers at 1,537 (1.7 per cent), other departmental heads at 1,437 (1.6 per cent) and other related roles 7,241 (8.0 per cent). In the interests of clarity, we might round up slightly the number of customer-facing roles to the figure of 74,000 and reduce the non-customer facing roles to 16,000.

This data provides insight into the operational structure of the contact centre. It has already been well established that call or contact centres have ‘flat’ management structures, with high proportions of call-handlers in comparison to supervisors/team leader grades and managers. In fact, the contact centre workforce is even flatter than it was in 1997 in the first audit of the Scottish workforce; ‘operators/agents’ comprised 71.3 per cent of the workforce compared to 82 per cent in 2011. Excluding from calculations the numbers of other departmental heads and those roles not directly employed in the customer contact, it is possible to establish the exact ratios within customer contact operations between operators and supervisory and managerial grades. The ratio of supervisors to customer contact advisers is 1 in 12 and with managers it is 1 in 48. Adding numbers of supervisory and managerial grades immediately involved in contact centre operations, and weighing them against advisers/agents, the combined ratio is approximately 1 in 10.

One further statistical observation requires comment. The numbers of customer contact advisers, the front-line staff in Scottish contact centres has remained constant at 74,000 between 2008 and 2011. Over the same period, however, there has been an increase in non-customer facing roles, from 12,000 to 16,000, principally amongst ancillary clerical, technical and support roles associated with the expansion of internet based activities, but at the same time reflecting greater overall efficiencies amongst customer contact advisers. To the extent that call volumes and other forms of contact between customers and servicing organisations have increased since 2008, so too have front line staff become more productive. Essentially, more work is being undertaken by similar numbers of staff - or equivalent amounts of work - with fewer staff.

It is important to consider the broader significance that contact centres have for Scottish employment. During the survey period (June to August 2011) employment was 2,474,468. (<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-226710>). Based on the total of 90,000, 3.6 per cent of the working population of Scotland are now employed in a contact centre. This represents an increase of 0.2 per cent from 2008, which reflects both the slight expansion in contact centre employment and smaller overall Scottish workforce caused by the rise in unemployment. Expressed another way contact centres account for 1 worker in every 27 of all those employed in Scotland in mid-2011. Some indication of the growth in importance of contact centres employment over the past decade can be evidenced by the comparative proportion for 2003. Then, 1 employee in 43 worked in a contact centre (Taylor and Bain, 2003: 10).

As in previous audits, the size of the contact centre workforce is calculated by headcount rather than ‘agent positions’ or ‘seats’. The number employed in 370 centres for which we have precise data totalled 85,672. Adding an estimated number for the remaining 30 centres, gives a combined total of 90,000 employed in Scottish contact centres in 2011.

The 90,000 can be disaggregated into 74,000 interactive servicing positions and 16,000 non-customer facing roles, including supervisory and managerial grades, other department heads and diverse technical, clerical and support roles. The data confirms the well-established understanding that contact centres are ‘flat’ structures, with high proportions of front-line staff in comparison to managerial positions. The ratio of supervisors to frontline staff is 1 to 12 and that of supervisors and managers combined to frontline staff is approximately 1 in 10.

The overall importance of contact centres can be further evidenced by the fact that 3.6 per cent of those in employment in Scotland at the time of the survey worked in the sector, an increase from the 3.2 per cent in 2008. Another way of expressing this importance is to state that 1 of every 27 of those in employment in Scotland worked in a call centre, compared to 1 in 43 in 2003. Over the last decade, contact centre employment has become more, rather than less, significant.

2.4 The Stability of Scotland's Contact Centre Sector

Table 1 compares current employment levels with those from those previous surveys which used the same comprehensive data gathering methods.

Table 1: The growth of the contact centre sector in Scotland, 1997-2011

Year	No. of contact centres	Total number employed	Growth since previous survey %	Source
1997	119	16,000	n/a	Taylor and Bain (1997)
1998	159	21,000	31.3	Locate in Scotland (1998)
1999	170	30,000	42.9	Bain and Taylor (1999)
2000	220	46,000	53.3	Taylor and Bain (2000)
2003	290	56,000	21.7	Taylor and Bain (2003)
2008	400	74,000 (agents) 86,000 (all roles)	53.6	Taylor and Anderson (2008)
2011	400	74,000 (agents) 90,000 (all roles)	4.7	Taylor and Anderson (2011)

Rapid expansion occurred in the period following the first survey in 1997, with the most remarkable growth taking place prior to the millennium. Between 1997 and 2000, the growth rate was an extraordinary 288 per cent. Between 2000 and 2003, although the *rate* of growth slowed, expansion was still considerable. This declining growth rate was closely related to the growing maturity of the sector and to the fact that many, but by no means all, private sector companies that could adopt the call or contact centre model had already done so. There were the effects of economic slowdown following the dot.com crash.

Also, where the call centre model was being adopted for the first time, notably in the public sector, the scale of new operations generally was not comparable to centres established over the previous decade. Of course, expansion was taking place elsewhere in the private sector in existing operations and with new facilities, but in overall terms growth was not as rapid it had been hitherto.

Nevertheless, that 56,000 were employed in 2003 revealed a still growing sector, which had only been impacted minimally by offshoring. Considerable evidence attested to the continued growth of the domestic sector even though the volume of offshored would increase. The 2008 audit confirmed the predictions made in 2003. The sector had grown by a greater extent than even the most sanguine of commentators had forecast, by 53.6 per cent in the five years between 2003 and 2008.

As indicated above, the 2008 audit was conducted months before the financial crisis of September. Consequently, when companies had reported on their future intentions a clear majority had suggested that their centres would experience growth in the next two years up to

2010. According to respondents, the most notable expansion (as much as 71 per cent of forecast growth) was expected to occur in the outsourced sub-sector. As was recognised at the time (Taylor and Anderson, 2008: 23), such optimism had to be tempered by the knowledge that organisations had provided data before the effects of the credit crunch had unfolded and the more pessimistic scenario of economic slowdown had been considered. Accordingly, notwithstanding a certain degree of confidence, many respondents did convey a genuine sense of uncertainty rooted in the prospect of impending financial difficulties and the effects of on-going re-organisation, process re-engineering, technological innovation and the potential impacts of outsourcing and offshoring.

The evidence from the 2011 audit demonstrates that, despite the profound crisis in financial services, recession and subsequent stagnation, total employment in Scotland's contact centres has increased marginally since 2008, by 4,000 to stand at 90,000. This represents a net growth of 4.7 per cent over three year period between the two audits. As indicated above, the other notable headline statistics are, firstly, that the number of customer-facing agents has remained stable at 74,000 while, secondly, the number of non-customer facing roles (supervisory, managerial, technical, support) has grown by 4,000 and thus is responsible for the full extent of the sector's continued expansion in an adverse economic environment.

The sector grew remarkably from the mid to late-1990s. In the new millennium the rate of growth slowed largely due to sector maturity and the fact that the contact centre model was nearing saturation in certain companies and industries. By 2003, 56,000 were employed and continued growth was predicted with the expansion of existing operations and new centres being established. These forecasts were confirmed in the 2008 audit, as employment had grown by 53.6 per cent since 2003, confounding perceptions of contraction and stagnation.

Despite the adverse economic conditions, particularly the crisis in financial services, the sector with the greatest concentration of employment, total employment in Scotland's contract centres in 2011 has actually increased by 4,000 since 2008. This represents a growth rate of 4.7 per cent. Of the 90,000 employed in the sector, 74,000 were customer-facing agents, the same number as in 2008, while non-customer facing roles (supervisory, managerial, technical, support) increased by 4,000, the full extent of the sector's expansion.

2.5 Employment by Location

The employment levels by location are provided in Table 2, ordered in terms of the numbers employed. In order to make the data user-friendly, we do not present a comprehensive list of each town in which contact centres are located, but rather group locations by meaningful geographical categories. In some cases this means individual cities and, in others, the historic administrative counties, former enterprise regions or with the Highlands and Islands, a broad category corresponding to the enterprise region. These categorisations are meaningful for those wishing to make sense of the uneven geographical location of contact centres across Scotland.

Some points of clarification are required. Livingston (which together with adjacent town as Bathgate effectively constitutes West Lothian in terms of contact centres) has been considered separately from Edinburgh and the remainder of the Lothians, on the grounds that Livingston had emerged as a notable contact centre location in its own right. Similarly, Greenock has not been included in the broader Renfrewshire category with Paisley and other towns since the

former similarly had an established contact centre presence. Greenock/Inverclyde is the designated location. In utilising these categories, we have been influenced by two other factors; firstly, they were used in the previous audits and permit us to make comparisons over time and, secondly, as before they were and are meaningful to user groups such as employers, local authorities and enterprise bodies.

Glasgow is clearly the most significant location for contact centre activity with 31,405 employees and almost 35 per cent of Scotland's workforce. Glasgow's Lanarkshire 'hinterland' (more than 12,500 employees and almost 14 per cent of Scotland's workforce) is the second most important area. Almost one in two of all those employed in contact centres in Scotland are to be found in these combined locations.

Table 2: Contact centre employment (agents and totals) by location

Location	No. of centres	Total Employment	% Total
Glasgow	117	31,405	34.9
Lanarkshire	32	12,520	13.9
Edinburgh and Lothians	56	9,419	10.5
Fife	17	9,252	10.3
Livingston/Bathgate	12	6,525	7.2
Tayside	30	6,160	6.8
Highlands and Islands	31	3,075	3.4
Greenock/Inverclyde	11	2,651	2.9
Paisley/Renfrewshire	10	2,127	2.4
Ayrshire	11	1,815	2.0
Falkirk/Larbert	7	1,439	1.6
Clydebank/Dunbartonshire	8	1,188	1.3
Aberdeen/Aberdeenshire	18	1,187	1.3
Stirling	6	601	0.7
Borders	3	354	0.4
Dumfries	5	281	0.3

Next in importance is Edinburgh and the Lothians (excepting West Lothian) with 9,419 employees and 10.5 per cent of the workforce, followed in turn by Fife (9,252 employees and 10.3 per cent), West Lothian (6,525 employees and 7.2 per cent), Tayside (6,160 employees and 6.8 per cent). The table also shows the widespread dispersal of contact centre activity across Scotland with the Highlands and Islands now having 31 distinct centres accounting for 3.4 per cent of the Scottish workforce. Lesser concentrations are evident in Greenock/Inverclyde (2.9 per cent), Paisley/Renfrewshire (2.4 per cent), Ayrshire (2 per cent), Aberdeen/Aberdeenshire (1.3 per cent), Stirling (0.7 per cent), the Borders (0.4 per cent) and Dumfries (0.3 per cent).

As was emphasised in the 2008 audit, contact centres can now be found right across Scotland. A number of towns have only recently seen the arrival of their first facility, such as Fraserburgh, Laurencekirk, Hawick, Loanhead and Dalkeith. However, notwithstanding the ever extending geographical spread location, there are limits to the degree of dispersion. As observed in previous audits the overwhelming majority of jobs are concentrated in central Scotland. If we understand that the central belt as extending from Greenock in the west, to Edinburgh and the Lothians in the east and including Fife, Lanarkshire and Ayrshire, then 87.7

per cent of the total Scottish workforce is concentrated here This proportion is slightly larger than that in 2008 (85.6 per cent) and in 2003 (85.7 per cent).

Table 3: Contact centre employment by Scottish Enterprise Region²

Scottish Enterprise Region	No. of centres	Total Employment	% of Total
West	202	53748	59.7
South and East	94	25848	28.7
Tayside	30	6138	6.8
Highlands and Islands	31	3078	3.4
Grampian	18	1188	1.3
Totals	375	90000	100

In 2008 Scottish Enterprise was reorganised into five new regions to replace the network of local enterprise bodies. It is helpful therefore to calculate the distribution of centres and employment levels according to these new geographical entities (Table 3). As can be seen, almost 60 per cent all Scottish contact centre employment is to be found in the West (55 per cent). In terms of absolute size, the west is followed by the South and East (28.7 per cent) and then, to far lesser extent, Tayside (8.2 per cent), the Highlands and Islands (3.4 per cent) and Grampian 1.3 per cent).

Glasgow is by far the most important location with 31,405 employees and almost 35 per cent of Scotland’s contact centre workforce. Lanarkshire is second with 12,520 employees and almost 15 per cent of the country’s workforce. Together Glasgow and Lanarkshire account for almost one half of Scotland’s contact centre workforce.

Next in importance comes Edinburgh and the Lothians (9,419 employees), Fife (9,252), West Lothian (6,525) and Tayside (6,160). The Highlands and Islands now has 31 centres and 3.4 per cent of the workforce. Contact centres are to be found right across the country and several towns have recently seen their first contact centre established. Despite geographical dispersion, the bulk of Scotland’s contact centre employment (87.7 per cent) is concentrated in the central belt. In fact, the degree of concentration has grown since 2008 when 85.6 per cent of employment was in this same area.

Of the five new Scottish Enterprise regions, the West is most important (60 per cent of those employed), followed by South and East (29 per cent), Tayside (6.8 per cent) and the Highlands and Islands (3.4 per cent). Grampian has the smallest proportion of Scotland’s contact centre workforce with 1.3 per cent of the total.

2.6 Employment by Location Over Time

It is instructive to consider also the changes in the *relative* importance of geographical locations over time, drawing on data from previous audits. A reduction in the proportion of the Scottish workforce in a particular location over time does not imply a decline in numbers

² The total employment number is assumed to be 90,000. The percentage for each of the regions is calculated by aggregating the percentages of employment for the specific locations in each of the regions as in Table 2.

employed. We can see the growth in the absolute numbers employed in each of the locations (with the exception of Greenock and Stirling³).

Table 4: Geographical distribution by employment levels over time

Location	Numbers employed 2011	Numbers employed 2008	Numbers employed 2003	% 2011	% 2008	% 2003	% 2000	% 1997
Glasgow	31,405	25,387	16,586	34.9	30.3	30.4	30.2	45.5
Edinburgh/Lothians	9,419	9,218	6,853	10.5	11.0	12.6	14.7	15.3
Lanarkshire	12,520	10,245	5,956	13.9	14.7	10.9	9.3	7.8
Greenock	2,651	3,491	4,713	2.9	4.2	8.6	4.6	2.2
Tayside	6,160	6,868	4,695	6.8	8.2	8.6	5.6	4.7
Fife	9,252	7,648	4,340	10.3	9.1	8.0	8.8	10.0
Livingston/Bathgate	6,525	5,980	3,502	7.2	7.3	6.4	12.1	8.2
Highlands and Islands	3,075	3,398	2,263	3.4	4.0	4.1	8.1	1.5
Falkirk/Larbert	1,439	1,572	1,476	1.6	1.9	2.7	1.7	0.0
Ayrshire	1,815	1,497	1,079	2.0	1.8	2.0	1.1	1.5
Clydebank/Dunbartonshire	1,188	2,015	920	1.3	2.4	1.7	1.2	2.3
Stirling	601	716	767	0.7	0.9	1.4	0.7	1.1
Paisley/Renfrewshire	2,127	1,673	564	2.4	2.1	1.0	0.6	0.0
Aberdeen(shire)	1,187	1,364	556	1.3	1.6	0.9	1.3	0.1
Dumfries	281	259	226	0.3	0.3	0.4	0.0	0.0
Borders	354	363	140	0.4	0.4	0.3	0.0	0.0

Several observations can be made. Firstly, for a decade and a half Glasgow has been clearly the most important location. In 1997, it dominated the Scottish sector with almost one in two of those employed, reflecting the fact that the city was a first mover, its growth stimulated by a conscious inward investment strategy by government and enterprise bodies (including Glasgow Development Agency) to attract call centres. By 2000, as centres became established more widely across the country, Glasgow's relative strength was reduced, even though it remained the most significant location. The city's relative position in a growing market remained constant through to 2008. Over the past three years, what is significant is that Glasgow has increased its share of the employment in a market that has experienced stability. Prima facie, then, Glasgow has been affected less than the rest of Scotland in relative terms by financial crisis, recession and stagnation.

Second, adopting the longer-term evaluation, it can be seen that Edinburgh and the Lothians (excepting West Lothian) has declined more in proportional terms than other Scottish locations since 1997, from 15.3 per cent of the Scottish workforce to 10.5 per cent in 2011. Nevertheless, it is necessary to keep a sense of perspective and understand that despite the longer-term relative decline the numbers of employees has continued to increase in absolute numbers since 2008.

Third, apart from Glasgow, only Fife, Paisley/Renfrewshire and Ayrshire have increased their growth in relative terms since 2008. Fourth, in addition to Glasgow, Edinburgh and these three locations, three others have grown in the numbers employed since 2008, West Lothian, Lanarkshire and Dumfries. Fifth, the remaining locations (Greenock, Tayside, Highlands and Islands, Falkirk/Larbert, Clydebank/Dunbartonshire, Stirling, Aberdeen(shire) and the Borders) have declined in the numbers employed.

³ In the case of Greenock the reduction in numbers is due to the a more accurate calculation of the numbers engaged in contact centre activities operated by the most important employer in the locality.

Since the first audit, Glasgow has dominated employment in the Scottish sector. From 2000 to 2008 the city's share of a growing Scottish workforce remained constant at just over 30 per cent, but since 2008 Glasgow has increased this proportion to almost 35 per cent. Edinburgh and the Lothians have undergone some relative decline (from 11 to 10.5 per cent) even though net employment has increased. Since 2008, three other locations have increased their share of employment (Fife, Paisley and Ayrshire), while an additional three (West Lothian, Lanarkshire and Dumfries) have grown in terms of the numbers employed. Eight locations (Greenock, Tayside, Highlands and Islands, Falkirk/Larbert, Clydebank/Dunbartonshire, Stirling, Aberdeen(shire) and the Borders) have declined in the numbers employed.

2.7 Contact Centre Employment as Proportion of the Scottish Workforce

It is helpful also to make an assessment of the relative importance of contact centre employment in relation to the overall employment at the local level. As we saw in 2.3 above, the contact centre sector accounts for 3.6 per cent of the employed workforce in Scotland. In this section we drill down from the national level and examine the significance of contact centre employment at the local level.

Table 4: Contact centre employment as percentage of local employment

Location	Total Employment 2011	Total contact centre employment 2011	Call centre employment as % of total employment 2011	Call centre employment as % of total employment 2008
Glasgow	257,500	31,405	12.2	9.7
Livingston/Bathgate	84,900	6,525	7.7	7.0
Greenock	36,600	2,651	7.2	9.7
Fife	172,600	9,252	5.4	4.4
Lanarkshire	295,300	12,520	4.2	4.0
Tayside	186,200	6,160	3.3	3.7
Edinburgh and Lothians	326,700	9,419	2.9	2.8
Paisley/Renfrewshire	77,000	2,127	2.8	1.3
Falkirk/Larbert	72,900	1,439	2.0	2.1
Stirling	40,600	601	1.5	1.1
Highlands and Islands	233,800	3,075	1.3	1.4
Clydebank/Dunbartonshire	89,800	1,188	1.3	2.1
Ayrshire	159,300	1,815	1.1	0.9
Borders	51,200	354	0.7	0.7
Aberdeen	249,000	1,187	0.5	0.6
Dumfries	68,100	251	0.4	0.4

Table 4 is based upon the latest available statistics from Scottish Government Statistics <http://www.scotland.gov.uk/Publications/2011/08/09172458/4>, which provide employment figures for each local authority. The locations are ordered according to the relative importance of contact centre employment in the local labour market. Clearly the evidence presented in this table is important for the Scottish government, local authorities and enterprise bodies, as they develop policies to stimulate investment and create jobs.

The location that stands out as most significant is, again, Glasgow, where contact centres are responsible for as much as 12.2 per cent of employment in the city. Expressed slightly differently, around 1 in 8 of those employed in Glasgow work in a contact centre. This statistic is even more remarkable than the 1 in 10 of the employed population who worked in a contact centre in 2008.

Second in importance is West Lothian where, principally in Bathgate and Livingston, contact centres accounted for 7.7 per cent of local employment, a proportion greater than in 2008. Next in respect of density is Greenock/Inverclyde (7.2 per cent of employment), but this location has witnessed a reduction since 2008, when 1 in 10 of the local labour force was employed in a contact centre. The reduction can be explained partly by the re-configuration of services within the company that has been the major contact centre employer in the locality for many years. Despite the relative decline, contact centres remain a major employer in the Greenock area, to the extent that 1 in 14 of those active in the local labour market are employed in the sector.

Contact centre employment has increased in significance in Fife since 2008; 5.4 per cent in 2011 compared to 4.4 per cent in 2008. Other localities where the density of contact centre employment has increased are Edinburgh and Paisley/Renfrewshire, Edinburgh and the Lothians, Stirling and Ayrshire, albeit that in the latter three cases the increase was marginal. In contrast, across Tayside the density of contact centre employment has declined between these dates, from 3.7 per cent to 3.3 per cent. Other localities with reductions in the proportion of contact centre employment in their local labour market are Falkirk/Larbert, Highlands and Islands, Aberdeen and Dumfries, albeit by small amounts. The other case is Clydebank/Dunbartonshire where the extent of the reduced density was greater, from 2.1 per cent to 1.3 per cent. It should be noted, though, that relatively small numbers are employed.

It is instructive to reflect again on the factors that have influenced these locational patterns. For example, how can the pre-eminence of Glasgow as a contact centre location be explained? Glasgow was an early mover location, providing home to one of innovators of the contact centre, Direct Line, in 1989 (Bain and Taylor, 2002). There followed a high-skilled job creation strategy by development agencies and government to bring call centres to Glasgow in particular and Scotland more generally. Illustrative of this policy was the then Scottish Secretary Michael Forsyth's statement at the opening of the TSB telebanking centre in Glasgow in 1995, that it was the 'skilled and flexible workforce together with one of the most advanced and comprehensive telecommunications networks anywhere in Europe' (cited in Baldry et al, 2007: 44) that had secured the site's location in Glasgow. The additional factors of financial incentives and regional assistance, the availability of relatively low-cost accommodation, pools of skilled but less expensive (than metropolitan locations) labour further contributed to attracting clusters of call centres to Scotland and disproportionately to Glasgow where the development agency (GDA, Scottish Enterprise Glasgow) was especially proactive.

Once established the 'critical mass' effect provided further stimulus. Organisations choosing to locate in Glasgow (and to a lesser extent other places) would be influenced by the fact that it had already demonstrated its success as a location. In several respects situating facilities in a proven environment was perceived to reduce operational risk, whether the important factors were the need to draw on pools of experienced staff (call-handlers, supervisory and managerial grades), to capitalise on acceptable travel to work times, and to benefit from effective 'after care' provided by development agencies. In short, the reasoning was that it might well be better to site facilities in known established locations rather than take a chance of a lesser known location. By the same token, a combination of factors led over time to the dispersion of the

contact centre to other locations. Partly, this was the result of emulation by other local development agencies and the availability of grants and assistance, and partly the perception (whether justified or not) of rising labour costs and tighter labour markets in the established locations. The outcome can be seen in the increasing significance of Lanarkshire as a destination.

As argued elsewhere (Taylor, 2009), locational decisions involve an *ensemble* of factors including costs, particularly labour costs, availability of labour, accommodation, connectivity, diverse environmental factors and others relating to quality of service. Scalability is certainly an issue. Clearly, the Highland and Islands is home to a sizable number of operations but the dispersed distribution of population militates against the location of larger operations. There is no denying the importance of the size of the labour market which, in conjunction with the other factors certainly advantages Glasgow and its immediate hinterland.

Table 5 provides the percentages of contact centre employment in relation to total employment in the new Scottish Enterprise regions. The Glasgow effect can be seen in the percentage for the West, where more than one in twenty of those employed work in a contact centre. This proportion has actually increased since 2008 when the proportion was 4.7 per cent. In terms of the contact centre’s regional impact the South and East comes second, with 3.7 per cent of the total employed, an increase from the 3.0 per cent in 2008. The other three regions, Tayside Highlands and Islands and Grampian have all experienced a decline since 2008, from 3.7 to 3.3 per cent, from 1.4 to 1.3 per cent and from 0.6 to 0.5 per cent respectively.

Table 5: Contact centre employment as percentage of employment by SE region

Scottish Enterprise Region	Total Employment 2011	Contact Centre Employment as % of Total 2011	Total Employment 2008	Contact Centre Employment as % of Total 2008
West	1,027,900	5.2	996,000	4.7
Tayside	186,200	3.3	187,000	3.7
South and East	702,800	3.7	686,000	3.0
Highlands and Islands	233,800	1.3	236,000	1.4
Grampian	249,000	0.5	241,000	0.6

As indicated above the contact centre sector accounts for 3.6 per cent of the employed workforce in Scotland. It is important to recognise the uneven distribution of this employment and to drill down to examine the significance of contact centre employment at local level. Glasgow stands out with as many as 1 in 8 of the local labour market employed in a contact centre, a density greater than in 2008 when 1 in 10 were employed.

Second in terms of density in 2011 was West Lothian where contact centre employment was 7.7 per cent of the local employed workforce, an increase since 2008. Greenock had almost 1 in 10 of its workforce in a contact centre, but had experienced a decline in density but still as many as 7.2 per cent of the local labour force were employed in the sector. Employment in contact centres has increased in significance in Fife, Edinburgh and the Lothians, Paisley/Renfrewshire, Stirling and Ayrshire. In contrast, declining density

occurred in Tayside, Falkirk/Larbert, Highlands and Islands, Aberdeen(shire) and Dumfries

Glasgow's pre-eminence is explicable by reference to multiple factors, including the early adoption of a policy by government and investment agencies to attract call centres. The potential was evidenced by Glasgow's early mover status and reinforced by financial assistance and after care support by the GDA. Allied to these factors were the availability of modestly priced accommodation and advanced telecoms connectivity.

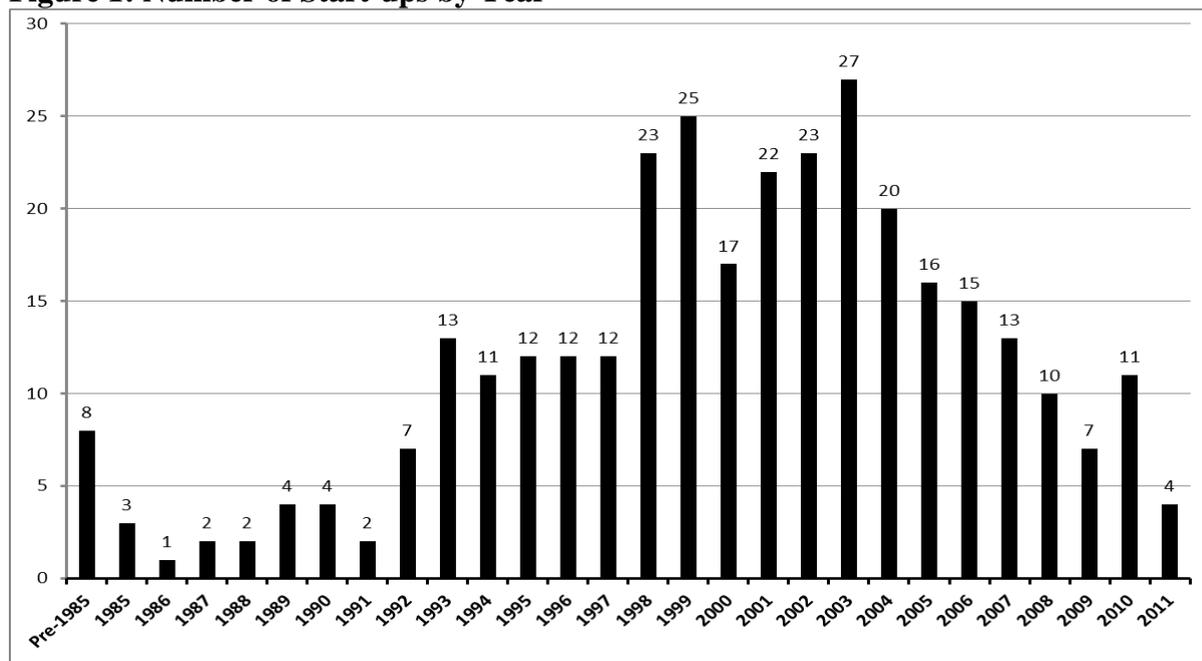
Having established a core presence, a 'critical mass' effect kicked in, ensuring that organisations were attracted not just by the evident success of already established companies but by the availability of skilled and relatively inexpensive human resources of all kinds, from call-handlers to team leaders to operations management.

In sum, in the aftermath of economic and financial crisis contact centre employment has become more rather than less important for many local labour markets.

2.8 Contact Centre Start-Ups

In this section we provide additional evidence of the pattern of growth by grouping the centres by their self-reported start-up date. The exercise is not without its difficulties for a number of reasons. In the first place, it is not always possible to state exactly when a centre commenced as many contact centres evolved out of a pre-call centre stage of intensive telephone-based operations and the reconfigured call centre emerged on the same site.

Figure 1: Number of Start-ups by Year



Secondly, the circumstance of takeover or merger raises the question of whether the date of original start-up is used or the point of transfer of ownership. Similarly, and often closely related to this issue, is the question of the rationalisation of a company's contact centre operations. The relocation of contact centre facilities to another site also might also creates a similar problem.

In gathering and presenting the data, we have been guided largely by the responses of senior management and have used their judgement as to the year that an operation became a dedicated contact centre. However, in a number of organisations the turnover of managerial personnel could mean the loss of organisational memory of the genesis or evolution of the centre. The data on 328 start-ups for which information was given is presented in Figure 1.

The pattern reinforces the comments made above (Section 2.4) regarding the growth of the sector ⁴. As can be seen, the smattering of start-ups in the late-1980s is followed by rapid increases during the 1990s, accelerating as the decade advances. There follows some decline in 2000, partly as a consequence of the post dot.com crash recession and then a revival in the number of start-ups to a peak in 2003. The number of start-ups then declines year-on-year between 2004 and 2007. There is then a decline for 2008, even more pronounced for 2009, before increasing for 2010. The number given for 2011, at four start-ups, does not reflect the complete total for this year as the data-gathering exercise was completed in August 2011

One final observation is the fact that the number of start-ups should not be conflated with the extent of employment. Many of the larger contact centres were established during the 1990s or even early 2000s and a good number of the more recent start-ups are smaller operations. In sum, the data on contact centre start-ups provides a complementary indication of activity and development in the sector but should not be regarded as definitive evidence of the overall rate of growth.

The incidence of contact centre start-ups provides complementary evidence of the growth and development of the sector. From small numbers in the 1980s, the rate of start-ups rises rapidly as the 1990s advances. Following some decline in the rate of the start-ups following the dot.com crash, there was a revival in the number of start-ups which peaked in 2003. Subsequently a year-on-year decline occurred through to 2009, which saw the lowest number of start-ups since 1992. However, 2010 saw a modest revival with 11 centres opened in that year.

2.9 Evidence of Projected Growth

As has been the practice in previous audits, contact centre managers were asked to provide projections of employment levels for two years later, in this case 2013. A general observation that is true for all of these studies is that many companies, perhaps because of market uncertainty or difficulties in predicting organisational developments, have been unable to provide exact figures. Even when prospects were favourable at the level of the overall economy, the specific market or sector, or firm or even centre it has been very difficult if not

⁴ According to managerial respondents, 8 contact centres were established before 1985, as represented in the first column. There may be doubts over the reliability of at least some of these responses, in the sense that not all of them may have been contact centres at that time in the sense of being consistent with the robust definition that has been employed in the audit.

impossible for organisations to supply this data. As this forecasting has never been an exact science, it has always been necessary to treat responses to this question with some caution.

A growing sense of uncertainty had already been in evidence in 2003. By 2008, however, respondents were far less inclined to make exact forecasts regarding the future scale of their operations, unsurprisingly given their growing unease with impending economic developments. In fact, data was provided for only 178 contact centres. Nevertheless, a sizable numbers were relatively optimistic with 110 expecting to have greater employment by 2010; 54 predicted a workforce of the same size and 13 that they would contract. Significantly, as much as 71 per cent of the predicted increase (5,447 employees) was to take place amongst outsourcers. Presaging future developments as much as 86 per cent of the total of reductions (1,356 out of 1,573 employees) was to be found in financial services companies.

Perhaps the most striking aspect of the comments made by respondents was the large number who indicated that they could not say what the future size of their operations would be. There were a number of aspects to this uncertainty. Firstly, a frequent response by outsourcers was to emphasise that their employment levels depended on the numbers of clients and the size of contracts which was difficult to predict. In truth this is an integral feature of the outsourced market. However, some outsourced respondents anticipated that the effects of economic downturn would exacerbate this by destabilising markets and undermining their ability to secure future contracts. Secondly, several companies in other sectors, particularly financial services, had believed that the credit crunch and slowdown were making it difficult to forecast future business activity and employment levels. The senior manager of a major financial services company stated 'the working hypothesis is that we will be around 12 per cent smaller in terms of personnel in the centres'. External shock, instability and volatility were terms widely used.

Thirdly, several reported that they were undergoing a review of operations and were unable to say what the impact would be on their contact centre facilities. Fourthly, several respondents indicated that automation would impact in unknown ways upon employment levels. Even if call volumes were to increase automation might mean that employment levels would not increase accordingly. Similarly, if call volumes were to remain at similar levels a decline in headcount might result.

For some companies it was not one single factor that had mattered but the combined effects of imminent economic turbulence conditions and organisational change that were causing uncertainty. For instance, one financial services respondent stated it was 'difficult to say what contact centre employment would be in 2010 given dislocation in financial services, mergers and the impact of offshoring'.

In summary, in 2008, companies had found it very difficult to predict their levels of employment for 2010. Although only two years into the future, the impact of the credit crunch, the unknown depth and effects of economic slowdown, the implications of merger and acquisition, the outcomes of offshoring and outsourcing decisions, the consequences of organisational re-structuring and process re-engineering, the impact of technological innovation were combining to create widespread uncertainty.

If many contact centre managers were unable or unwilling to make predictions regarding employment levels for their centres in 2008, then uncertainty was understandably more widespread in 2011 in the wake of financial crisis and economic stagnation. Data was

provided for only 133 contact centres. Increased employment was forecast for 54 centres, decreased employment for 39 centres and, for 40 centres, managers predicted neither increase nor decrease. The question is the extent to which this limited data can provide a reliable indicator of future employment.

Adding the current employment for these 133 centres gives a total of 26,424 employees so we have data on centres which cover 29.4 per cent of employees. Although, given this proportion, caution should be exercised when drawing conclusions, a more detailed analysis can still provide some insight into possible future developments if all the necessary caveats are borne in mind. The difference between the predicted increases and decreases in employment for these organisations that did supply the data is +4,651, or 17.6 per cent of the current figure. This indicates a degree of expansion amongst a minority of organisations, at least, that operate contact centres in Scotland.

While there was a sectoral diversity in terms of the centres for which this growth was expected to occur, the following two characteristics are notable. First, only four centres in financial services proffered definite figures for future employment and here the increase was a modest 105 employees in total. Second, almost a half (46 per cent) of this stated increase is expected to come from the third-party outsourced sub-sector. In terms of the centres, for which organisations provided figures for expected decline, 53 per cent of predicted reduction comes from the financial services sector. A minority of organisations in various parts of the public sector, albeit to a far lesser extent, were notable in reporting their intention to reduce headcount.

In order to establish more firmly whether these figures of the increases and decreases in predicted employment at centre level betoken a net overall increase in Scotland's overall contact centre employment requires additional data analysis. Considering the number of organisations that have indicated that they intend to expand without providing numbers, only 18 additional can be counted. In total, then, 72 centres are predicting expansion.

In addition to the 39 centres giving specific numbers for decline, a further 13 stated that there would be reduction over the next two years but were unable to give figures. In total, then, organisations responsible for 52 centres were planning headcount reductions. Whether the scale of these reductions is greater or less than the extent of predicted increases is far from certain, particularly when we consider other findings. Organisations responsible for 18 centres stated that there would be no change in employment levels. However, the most notable finding concerns the large number of organisations that reported that they were uncertain, were unsure or could not tell what the employment levels in their centres were going to be in 2013. Eighty three contact centres fall into this category.

Respondents provided additional information which helps to clarify the position of their organisations in relation to future developments. A common response offered by senior managers was that their organisations were undergoing internal reviews, the outcomes of which were not known, so that the size of their contact centres following the inevitable re-organisation was unknown. What emerges then is this sense of organisations in the private sector continually having to make adjustments in response to, or in anticipation of, volatile market conditions and, in the public sector, re-configuring operation in the context of austerity and budget cuts.

Attempting to gauge organisations' projections of future employment levels has never been an exact science. In conditions of uncertainty and market volatility the difficulties organisations have had in predicting future employment, already evident in 2003, intensified in 2008 given impending financial crisis, restructuring, reorganisation and technological innovation.

In 2011 organisations were able to provide data on only 133 centres; increased employment was forecast for 54 centres, decreased employment for 39 and no change for an additional 40 centres. The net difference was plus 4,561 employees of 17.6 per cent of current employment for the organisations that provided this specific data. Albeit these figures are indicative, they do suggest a degree of expansion in a minority of centres.

Without specifying numbers a further 104 centres indicated the expected future direction of employment; 18 projected increases (72 in total with those providing specific numbers) and 13 projected decreases (52 in total). The largest number (83) was for those centres whose parent company could not tell what the employment levels would be in 2013. A common response was that these organisations were undergoing internal reviews, the outcomes of which were not known.

What emerges then is this sense of organisations in the private sector continually having to make adjustments in response to, or in anticipation of, volatile market conditions and, in the public sector, of re-configuring operation in the context of austerity and budget cuts, to say nothing of the impact of lean working and automation. The combined outcome was considerable uncertainty and indecision amongst many organisations regarding future employment.

2.10 Location of Company Headquarters

In this section we detail the location of the company headquarters of the 374 contact centres for which we have full data. For the overwhelming majority of centres this was a relatively straightforward process, but in a minority of cases, usually of multinational but also UK-wide organisations the question arose as to whether the divisional or local administrative or the corporate HQ should be considered. Again, the judgement of the respondents has been decisive in determining the most appropriate location.

We found that 193 contact centres (52 per cent of the Scottish total) were operated by companies or organisations that have their headquarters in Scotland. These centres were responsible for 32,304 employees or 36 per cent of the Scottish contact centre workforce. As many as 143 centres were operated by organisations with their headquarters in the rest of the United Kingdom. They were responsible for 45,238 employees, or 50 per cent of Scotland's contact centre workforce. The headquarters of a further 11 centres, accounting for 6,483 employees (or 7.2 per cent of the Scottish workforce), were located in Europe. Organisations with their headquarters in North America (the United States) operated 24 centres in Scotland, accounting for 5,512 employees or 6.1 per cent of Scottish employment. Finally, organisations with their HQs located in Asia accounted for 3 centres, 463 employees, 0.5 per cent of the workforce. However, this latter figure and percentage understate the true position regarding Asian influence in the Scottish contact centre sector. Hero-TSC is owned by a prominent Indian company with diverse industrial interests, but its headquarters are given as Larbert.

Given the company's sizable operations – six centres across Scotland – and its stated intention to expand headcount Indian influence in the sector will continue to grow.

In total, then there are 38 contact centres which are owned by firms with their headquarters outside of the U.K. These centres are responsible for 13.8 per cent of Scottish contact centre employment. These figures are indicative of Scotland's position within a broader global service delivery chain, attracting inward investment as part of its proposition for companies seeking a nearshore location and/or looking to deliver services to the UK or European markets.

It is important to note that Scotland is growing in importance as a destination for contact centres owned by companies located overseas. In 2008, overseas owned contact centres accounted for 27 centres compared to the 38 in 2011.

More than a half of all contact centres (52 per cent) are operated by organisations that have their headquarters in Scotland. This cohort is responsible for 36 per cent of the total Scottish workforce. A further 143 (39 per cent) of centres with 45,238 employees or more than 50 per cent of all employment, are headquartered in England. Finally, while 38 centres (10.3 per cent of centres) are headquartered overseas. Of the latter, the US is the most significant numerically with 24 centres, and is responsible for 6.1 per cent of employment. Although European headquartered organisations claim fewer centres (11), they are responsible for 7.2 per cent of Scottish employment.

While Asian headquartered organisations have only three contact centres and 0.51 per cent of employment, this understates the true significance of Indian influence sector, given that the six contact centres of the Hero-TSC are owned by an Indian company even though they are headquartered in Larbert.

Evidently Scotland has progressed as a nearshore destination within the emerging global service delivery paradigm. In 2011, 38 centres in Scotland were owned by organisations that are headquartered overseas, compared to 27 in 2008. Almost 14 per cent of the workforce is now employed in centres that have their headquarters located overseas, an increase in the proportion since 2008.

2.11 Distribution of Centres and Employment by Industrial Sector

Before analysing the data on the distribution of contact centres by employment in industrial sector - or sub-sector - it is necessary to make certain points of clarification regarding method and data presentation. In Table 6 the second column gives the total numbers employed in the particular named sector and the third column gives the percentage of the Scottish contact centre employment to be found in this sector. As can be seen, in the last row of the table a figure and a percentage is given for a category named 'various'. This refers to centres for which management report that services are provided in more than one 'industry'. In the overwhelming majority of cases, the 'various' category consists of outsourced operations, where the companies provide services in more than one industry. However, it should be noted that the 'various' category is not identical to the outsourced sub-sector, because it is possible to have outsourcers providing services in one industry only (see 2.12 for a fuller discussion of outsourcing).

Table 6: Distribution of contact centres and employment by industrial sector (2011)

Sector	Total employment	% of total employment	% without 'various'	Total employment without 'various'
Financial services	28,022	31.1	35.9	32,304
Media/communications	12,403	13.8	15.9	14,299
Public sector	12,041	13.4	15.4	13,882
Telecommunications	6,903	7.7	8.8	7,958
Utilities	6,275	7.0	8.0	7,234
Computers/IT	3,499	3.9	4.5	4,033
Travel/transport/holidays	2,497	2.8	3.2	2,878
Retail	1,797	2.0	2.3	2,072
Charity/not-for-profit	646	0.7	0.8	745
Food and drink	619	0.7	0.8	714
Healthcare	466	0.5	0.6	538
Miscellaneous	2900	3.2	3.7	3,343
Various	11931	13.3	n/a	n/a

We can take another step in calculating the distribution of employment by vertical sector. Assuming that the 'various' category is proportionately representative of the industrial activity of contact centres generally, we can recalculate the percentages and numbers employed (columns four and five) to arrive at a calculation of distribution by industry. Thus, the total employment (last column) is composed of the numbers working in centres dedicated to a particular industry (e.g. financial services, telecoms) combined with a reasonable estimate of those engaged on activities for the same industry working for a third-party outsourcer⁵.

Table 6 presents the distribution of contact centre employment by industrial sector in 2011. Taking the further step of analysing the distribution for the last four audits (2000, 2003, 2008 and 2011), however, permits a longitudinal analysis by which the relative significance of the different industry over time can be appraised (Table 7). Industries have been ranked according to their degree of importance in the audit of 2011.

Table 7: Distribution of contact sector employment by industrial sector over time

Sector	Numbers employed 2011	% of workforce 2011	Numbers employed 2008	% of workforce 2008	Numbers employed 2003	% of workforce 2003	Numbers employed 2000	% of workforce 2000
Financial services	32,304	35.9	31,485	37.5	197,171	36.5	17,033	37.0
Media/communications	14,299	15.9	11,530	13.7	5,587	10.3	10,718	23.3
Public sector	13,882	15.4	12,339	14.7	4,910	9.1	766	1.5
Telecommunications	7,958	8.8	9,545	11.4	7,625	14.1	7850	17.1
Utilities	7,234	8.0	6,642	7.9	4,556	8.4	2,598	5.7
Computers/IT	4,033	4.5	3,727	4.4	4,197	7.8	2,760	6.0
Travel/transport/holidays	2,878	3.2	3,734	4.4	4,246	7.9	3,147	6.8
Retail	2,072	2.3	1,142	1.3	1,096	2.0	886	1.9
Charity/not-for-profit	745	0.8	877	1.0	607	1.1	n/a	n/a
Food and drink	714	0.8	536	0.6	606	1.1	n/a	n/a
Healthcare	538	0.6	363	0.4	475	0.9	94	0.2
Miscellaneous	3,343	3.7	1,996	2.4	366	0.7	199	0.4

⁵ As in previous surveys, the researchers decided against requesting the data disaggregated by industry for a number of reasons. Not only would this have been an overly complex and onerous request for many respondents, that might have jeopardised response rates, but it also might have impinged upon outsourcers' requirement to maintain client confidentiality.

As can be seen, financial services is currently and has been the most important source of contact centre employment. The importance of the financial services sector as innovator and disseminator of the call and later contact centres paradigms has long been acknowledged (e.g. Bain and Taylor, 2002; DTI, 2004; Taylor and Bain, 1999). That this broadly defined sector (including banking, insurance, credit services, asset management, stockbroking, pensions and mortgages) remains the single most important locus of contact centre activity and employment is confirmed by the findings in Table 6.

In fact, looking at financial services' contribution to overall employment, a remarkable consistency can be seen across the different audits, with the industry accounting for over one in three of all those employed in a contact centre. It is also important to note that, despite the crisis in banking since 2008, and despite a modest reduction in the *relative* proportion of those employed in financial services, there has been growth in the absolute numbers in employed, from 31,485 in 2008 to 32,304 in 2011. Although only a slight increase, any expansion is remarkable in the context of general headcount reduction across financial services, particularly in the banking sub-sector. The findings would confirm the speculative observation made in the 2008 audit that the contact centre might be less affected than other horizontal areas of activity in financial services. It was suggested that, despite a contraction in business in overall terms, a recession might generate greater customer uncertainty which in turn would lead to higher call volumes. Since crisis was likely to increase the number of customer queries it would be a mistake to extrapolate the extent of contact centre employment from the economic health of the sector as a whole or from the condition of a particular company.

Second in terms of importance is media/communications which in 2011 accounts for 15.9 per cent of Scottish contact centre employment. As can be seen, there has been incremental growth since 2003 and through 2008 in the proportion employed in this sector.

One of the most distinctive trends has been the continuous of public sector contact centre employment over the course of the four audits. In 2000, the call centre model was only beginning to be adopted in central and local government and the emergency services and was yet to be implemented in other areas of public service such as the National Health Service (NHS 24 in Scotland⁶). The biggest ramp-up occurred between 2000 and 2003, but it is significant that growth has continued subsequently, notably because contact centres have been identified by public service management as a means to deliver cost-efficient customer services (Taylor and Bain, 2007) while ostensibly delivering high quality service. In this respect, the contact centre can be regarded as an organisational form consistent with the precepts of 'best value' public policy. Several studies have examined the nature of the public sector contact centre phenomenon (e.g. Fisher, 2004; Glucksmann, 2004).

The trend in telecommunications is of declining employment in absolute terms and, of course, an even more precipitate reduction in proportionate terms. In fact the proportion of Scottish employment has almost halved between 2000 and 2001, from 17.1 per cent to 8.8 per cent. There are several reasons for this including the rationalisation of operations by the sector's biggest player, technological innovation and the development of leaner forms of work organisation. Nevertheless new products have come on stream such as mobile and broadband, which have acted as countervailing factors.

⁶ NHS 24 has been included in the generic public sector category. If it were included in the healthcare category then clearly this would make some difference to the size of this sector.

Employment in utilities show a somewhat different trend; there has been an increase in the numbers employed across the period of the four audits, but a stability in proportionate terms is discernible between 2003 and 2008 and then again to 2011 (8.4 per cent, 7.9 per cent and 8 per cent respectively). A slightly different pattern again can be seen in the computing and IT industries; growth in proportions employed between 2000 and 2003 followed by decline and stability thereafter in 2008 and 2011. Combining activities in the travel, transport and holiday 'industries', a clear trend is visible; growth in absolute and proportionate employment between 2000 and 2003, from 3,147 employees (6.8 per cent) to 4,246 employees (7.9 per cent). Thereafter a steady decline has ensured to 3,734 employees (4.4 per cent) in 2008 to 2,878 employees (3.2 per cent) in 2011. One plausible explanation for the reduced significance of employment in this area has been the increased acceptance of customer self-service in the form of internet bookings. Automation has certainly had an impact although it must be conceded that the closure of specific centres has also had an impact over the last decade (e.g. Thomsons, Vertex for Virgin Trains).

Considering the remaining sectors, we can see that retail has grown both absolutely since 2000 to the present, although the numbers are relatively small, notwithstanding significant recent developments notably the well-publicised opening of the John Lewis contact centre in Hamilton. The numbers employed in charity/not for profit sector have reduced since 2008 and this area remains relatively small. Food and drink and private healthcare have both increased, albeit marginally since 2008.

Comment should also be made of the 'Miscellaneous' category, centres operating in diverse industrial sectors but whose numbers are not sufficient as to justify constituting a separate category. By 2008 and 2011 this category included facilities management, construction, manufacturing, engineering and fuel. We note also that the expansion of this category reflects the wider dispersion of the contact centre as a mode of customer interaction beyond its heartlands in financial services, telecommunications and utilities to virtually every industrial sector and sub-sector.

Financial services, as a broadly-defined industry, has been and remains the single most important locus of contact centre employment. The proportion of the Scottish workforce employed in financial services has remained remarkably consistent from 2000 to the present at more than one in three of those employed(32,304). A notable finding is the growth in the number employed between 2008 and 2011, confirming an understanding of financial services as composed sub-sectors that have been differentially affected by the crisis. Nevertheless, the findings confirm the prediction made in 2008 that the contact centre (as a horizontal activity) would be less affected by crisis than other areas of employment within the industry and that call volumes might expand given customer uncertainty and an increasing number of queries.

Second in importance is media/telecommunications which has grown incrementally since 2003 and now accounts for 15.9 per cent of employment (14,299 employees). Employment across the public sector has continued to grow since 2000, most rapidly between 2000 and 2003 when the contact centre model was being adopted. Promising a cost-efficient means of delivering public services, the contact centre has fitted policy prescriptions and. Recent growth is discernible

(13,882 employees in 2011) but this is largely before austerity measures and budget cuts have been implemented.

Employment in telecommunications has declined, now 7,958 employees and 8.8 per cent of the Scottish workforce, almost a half of its relative size in 2000. Employment in utilities has remained stable in proportion of employment since 2000, while in computers and IT there is little change since 2008. In contrast, companies in travel/transport/holidays have seen their proportion of Scottish employment more than halve from 2000 (6.8 per cent) to 2011 (3.2 per cent).

Interactive customer servicing has now spread way beyond the initial heartlands in financial services, telecommunications and utilities as the contact centre model has been adopted and, to a lesser extent, continues to be adopted in diverse industries.

2.12 Outsourcing

In this section we examine more fully the important aspect of outsourcing. Working on the basis of the data for the 93 outsourced centres (out of the 374 for which we have data), they now account for 27.1 per cent of Scottish contact centre employment or 24,388 employees. It follows that 72.9 per cent of the Scottish workforce, amounting to 65,611 employees, work in non-outsourced or in-house operations.

From the first two audits (Taylor and Bain, 1997; 2000), it was evident that the outsourced sub-sector which had become an important element in the Scottish call centre market. The longitudinal data presented in Table 9 evidences this observation, demonstrates the sustained growth in employment in outsourced centres over a decade and a half. Most significant is the fact that outsourced operations until 2008 grew at a faster rate than any other component of the contact centre market. We can see that the share of outsourcing has grown from 1 in 5 in of all those employed to 1 in 4 in 2003 to almost 3 in 10 by 2008. While the 2011 audit findings reveal an increase in the numbers employed by outsourced companies since 2008 (from 23,935 to 24,388), these figures show a modest decline in their proportion of the Scottish contact centre workforce (from 28.5 per cent to 27.1 per cent).

Assessing the longer-term trend of the outsourced sub-sector, this rate of growth is remarkable, particularly for the half decade between 2003 and 2008. This evidence of growth was consistent with additional UK-wide evidence. Incomes Data Services (IDS, 2007: 8) reported that three-quarters of respondents in the outsourced sector reported growth in 2006. What made this growth all the more remarkable was the fact that many commentators had predicted that outsourced operations would be particularly vulnerable to offshoring for several reasons.

Outsourcing, it should be recalled, involves the external transfer of activities through a sub-contracted relationship to a third-party supplier and, of course, third-party suppliers are a significant component of globalised service delivery, particularly in India. Furthermore, outsourcing generally is considered to involve the externalisation of a company's non-core operations, often standardised and transactional in content, precisely those aspects which characterise much of the Indian contact centre industry (see Batt et al, 2005; Taylor, 2010b; Taylor and Bain, 2003; 2006).

Table 9: The growth of outsourced contact centres, 1997-2011

Year	Number of outsourced c.c.s	Numbers employed in outsourced c.c.s	% of Scottish workforce in outsourced c.c.s
1997	18	2,905	18.2
2000	42	9,010	20.4
2003	92	13,728	25.1
2008	108	23,935	28.5
2011	93	24,388	27.1

The outsourced sub-sector is segmented according to company type, area of activity origin of firm and so on. First, there are generalist third-party providers who supply services for companies operating in diverse markets. Historically, many have been Scottish owned companies, the most notable cases being Telecom Services Centre (TSC), beCogent and Response Handling. It is interesting to note that a number of these Scottish domestic companies have now been acquired by firms that are headquartered overseas; for example, TSC by Hero-ITES, beCogent by Teleperformance and, on a smaller scale, Careline by Hinduja Global Services. Despite this trend there remain Scottish owned outsource providers of reasonable significance, notably Response and City Park Technologies.

Second, there are UK owned companies that delivering services either in specific industries (e.g. Capita at their Stirling site or in Glasgow in financial services) or in a range of verticals (e.g. Vertex). Third, there are the overseas owned companies (e.g. Sykes, IBM) that often are engaged in delivering foreign language services as a nearshore or EMEA provider.

In conclusion, it is necessary to emphasise the remarkable vitality of the outsourced sub-sector over the past two decades. The domestic (i.e. Scottish) segment has confounded expectations that it would contract in the face of lower-cost competition from India and other overseas destinations. However, the suggestion drawn in 2008 that domestic outsourcers could benefit considerably from companies' desire to pursue cost-reduction through 'externalisation' has not been borne out by developments. The rate of growth amongst domestic outsourcers has slowed. At the same time, the growing presence of overseas owned third-party operations resonates with the perspective of promoting Scotland as a global hub for business services. Recalling the evidence on organisations' projected employment(Section 2.9), it was the outsourcers of all kinds that were most confident about future growth.

For more than a decade, the outsourced sub-sector grew faster than any other segment of the Scottish contact centre market, from less than 1 in 5 employed in 1997 to slightly less than 30 per cent in 2008. Such growth confounded widespread expectations that the domestic outsourcing would be most vulnerable to lower-cost competition from India and elsewhere. Although outsourced employment has continued to expand since 2008, the rate of growth has slowed. As a proportion of the Scottish workforce, employment in outsourcing has marginally contracted from 28.5 per cent in 2008 to 27.1 per cent (24,388 employees) in 2011. This development challenges the simplistic prediction that the cost reduction imperative generated by the recession would automatically lead to a considerable amount of in-house provision being externalised to outsourcers.

The outsourced sub-sector is heterogeneous, composed of Scottish-owned providers, UK firms and overseas owned third-party players. A recent trend has

been for Scottish-owned companies to be acquired by firms headquartered abroad; e.g. TSC by Hero-ITES, beCogent by Teleperformance and Careline by Hinduja Global Services.

2.13 Contact Centres by Size

As in previous audits, we have calculated the mean size of employment of a contact centre in Scotland. In 2011, the average size was 232 employees. Table 9 charts the trends since 1997. As can be seen, following the period of most rapid growth (between 1997 and 2000), the mean size of a contact centre facility has remained relatively stable. In fact, the mean size has increased since 2008, from 219 in that year to 232 in 2011. It can be suggested that this increase is the result of a number of factors including; the fact that a large number of the centres that have closed since 2008 have been small operations (see Section 2.2, p.12), the growth in employment within established operations; restructuring within organisations that operate multiple sites leading to certain ‘synergistic’ developments, namely the concentration of activities on a smaller number of sites.

Table 10: Mean employment size of contact centres in Scotland, 1997-2011

Year	Mean
1997	138
2000	225
2003	201
2008	219
2011	232

Of course, this average does not capture the disparity in size of contact centres across the sector. Table 11 shows the numbers of contact centres by establishment size, the percentage of total employment according to establishment size and the cumulative percentage.

Table 11: Distribution of employment by establishment size, 2000-2008

Establishment Size	Count 2011	Total number of employees 2011	% of Total Employment 2011	Cumulative %	% of Total Employment 2008	% of Total Employment 2003	% of Total Employment 2000
1000 or more	17	28,336	33.1	33.1	31.1	21.7	31.4
500-999	32	26,685	26.7	59.8	24.9	30.6	23.1
250-499	46	18,007	18.0	77.8	19.2	20.5	18.6
100-249	75	13,439	13.4	91.2	15.0	17.7	18.7
50-99	66	5,361	5.4	96.6	5.6	5.5	4.9
25-49	53	2,041	2.0	98.6	2.6	2.8	2.2
Less than 25	85	1,381	1.4	100.0	1.7	1.2	1.0

Several aspects are worth commenting upon regarding the 2011 findings, beginning with the large number of small centres. There are 138 establishments, or 37 per cent of the total number of contact centre sites, that have less than 50 employees, but these account for a mere 3.4 per cent of Scotland’s overall workforce.

At the same time, the overwhelming majority of the workforce is employed in large establishments. One-third of employment in Scotland work in centres where the workforce numbers 1,000 or more, almost 60 per cent in centres of 500 employees or more and more than three-quarters (77.8 per cent) in centres that employ 250 or more. Although larger centres have

always been a notable characteristic of the Scottish contact sector, their significance has grown over time and since the last audit (Table 12).

Table 12: Significance of large contact centre workplaces (1997-2011)

Year	% in contact centres employing ≥ 250
1997	56.3
2000	73.1
2003	72.8
2008	75.1
2011	77.8

The mean size of a contact centre in Scotland is 232 employees. This facility average has grown since 2003 and 2008. The recent modest increase is caused by several factors including the closure of a relatively large number of smaller centres, the growth of established operations and organisational restructuring that has seen companies that operate multiple centres concentrating activities on a smaller number of sites.

There are many small contact centres. No fewer than 138 establishments, 37 per cent of the Scottish total, have fewer than 50 employees, accounting for 3.4 per cent of the overall workforce. In contrast, the overwhelming majority work in large centres, with one-third employed in workplace of 1,000 or more employees, 60 per cent employed in centres of 500 or more employees and more than three-quarters in centres of 250 or more employees. Although larger centres have always been important, their significance has grown over time.

2.14 Contractual Status

Senior management from organisations responsible for 303 centres provided exact numbers of those employed full-time and those employed part-time. There is no precise definition of what constitutes part-time working in the United Kingdom although it is frequently defined loosely as being less than full-time hours where full-time hours are considered to be 35 hours or more per week. When gathering data from organisations, the researchers requested that respondents report numbers based upon their own operational definitions and usage of the terms ‘full time and ‘part time’. If the working patterns and hours had been the sole or indeed the principal focus of the research then more detailed data would have been sought which would have permitted disaggregation of contractual hours of work. However, for the purpose of this study a self-reported bifurcation of contractual status was considered sufficient.

Table 13: Contractual status of Scottish contact centre workforce, 1997-2011

Year	% on full-time contracts	% on part-time contracts
2011	76.9	23.1
2008	72.8	27.2
2003	68.6	31.4
2000	63.0	37.0
1997	65.5	35.5

Although not complete data, the fact that figures were received for a very large sample - 81 per cent of the known sectors in Scotland - enables us to extrapolate to the proportions of full-time and part-time staff to the Scottish workforce with a great degree of confidence. Table 13 provides the percentages for 2011 and compares them with previous audits.

As can be seen, more than three quarters (76.9 per cent) of the overall Scottish workforce are employed on full-time contracts, as against slightly less than a quarter (23.1 per cent), employed on part-time contracts. Reflecting on the trend since 1997, the long-term decline in the proportion of the workforce engaged on part-time contracts is evident. Some of the early (mistaken) representations of the call centre were that it was an organisational epitome of contingent, non-standard labour with very high proportions working on temporary and/or part-time contracts, particularly since it was held to embody a highly gendered labour process. Robust empirical evidence for this extreme flexibility was always difficult to find.

Nevertheless, more sober evaluations from previous audits (Taylor and Bain, 2000) did suggest on the basis of rigorous research that share of the workforce on part-time contracts would increase. However, even modest predictions of employers' increased utilisation of part-time workers in order to meet shortages of labour supply in a rapidly expanding market⁷ have been confounded by subsequent developments. The evidence is unequivocal not just that the full-time permanent contract (see Section 2.15) dominates contact centre employment, but that it has become ever more important over time. An interesting observation that needs to be made in passing is that the impact of the crisis has not at all led to an increase in contingent working in the form of part-time working.

The data provided by 81 per cent of contact centres (303) indicates that more than three-quarters (76.9 per cent) of the Scottish workforce is employed on full-time contracts, a proportion that has grown considerably from the 65.5 per cent employed full-time in 1997. While the contact centre never was never home to highly flexible forms of labour utilisation, expectations that part-time permanent working would increase have been confounded the sustained growth of full-time working which, if anything, has become even more pronounced in the aftermath of financial crisis and recession.

2.15 Temporary Contracts

Expectations that the contact centre would embody the flexible utilisation of labour were related not only to exaggerated predictions regarding the use of part-time workers, but also the widespread conviction that temporary staff would be extensively employed. Previous audits had convincingly demonstrated that the proportion of the workforce employed as temps, either directly by contact centre organisations themselves or through agencies, had consistently declined. The results from the 2011 audit confirm this trend, indicating a continued and significant decline in the utilisation of temporary employees of all kinds.

Responses were received from 282 organisations responsible for 54,112 employees, which constitutes a very large sample. Now it is conceded that organisations employing temps may have been missed, but the figures deriving from this large sample provide an excellent basis for extrapolating with confidence to the workforce as a whole.

⁷ Women with family and household commitments (women returners frequently) were often targeted as being an appropriate source of labour (Callaghan and Thompson, 2002; Scholarios and Taylor, 2009; 2011)

Adding together the 1,087 directly employed temporary staff to the 1,779 agency temps in this large sample, we arrive at a total of 2,866 temporary workers in total. Using the base of 54,112 employees total temporary employment accounts for 5.3 per cent of the workforce. If we apply this percentage to the total Scottish contact centre workforce of 90,000 then it is reasonable to suppose that the number of temps amounts to no more than 5,000⁸. The unmistakable long-term trend, of the sustained decline of the proportion of contact centre workers on temporary workers evident over the timespan of the audits, is unmistakable (Table 14).

One notable characteristic of the sector's use of temporary employees is the fact it is concentrated amongst a small number of organisations. Of the agency temps for which we have data, 94 per cent were employed in 25 centres and 91 per cent of directly employed temps were employed in 20 centres.

Table 14: Proportions of workforce on temporary contracts, 1997-2011

Year	% on temporary contracts
2011	5.3
2008	6.7
2003	13.5
2000	20.1
1997	27.4

In the 2008 audit report, a number of reasons were given for this reduction in the long-term utilisation of temporary employees. As the sector has matured and the rate of growth has declined and, as customer demand has become more predictable, there has been less need for unplanned increases or fluctuations in headcount. Many organisations that had hitherto depended heavily on temporary workers decided to reduce their reliance upon them. The principal reason was the growing conviction amongst employers that temps tend not to deliver the same levels of customer service as committed permanent workers.

At the same time, for those organisations that did use temporary workers senior managers reported the reasons. Not only did employing temps allow them to overcome episodic shortfalls in labour but also provides an opportunity for organisations to screen employees as to their suitability for permanent contracts. One final observation concerns the impact of crisis and recession, which have not led to an increase in temporary working in the contact centre sector. One explanation that emerges is that organisations under cost cutting conditions have been more likely to rely upon their existing workforce to absorb spikes or fluctuations in demand, rather than engaging in the expense of hiring additional temporary labour particularly when experience has taught them that quality concerns may arise through pursuing this responsive course of action.

The longer-term decline since 1997 in companies' utilisation of temporary workers, both those directly employed and those employed through agencies, has continued between 2008 and 2001. Only 1 in 20 of the Scottish workforce (5.3 per cent) now works as a temp as compared to more than 1 in 4 in 1997 (27.4 per cent). Organisations have reduced their reliance on temps for several reasons including

⁸ The exact number is calculated at 4,767.

the belief, based on experience, that permanent workers have higher degrees of commitment and deliver better quality customer service.

Temps are concentrated in a relatively small number of organisations and are utilised for tactical reactive reasons rather than being driven by a strategic decision to segment the workforce into core and periphery elements. Contrary to some expectations, financial crisis and recession have not led to an increase in temporary working, as organisations appear to rely on their existing workforce to absorb fluctuations in customer demand and to pursue labour intensification as the preferred method of cost-containment.

2.16 Gender

Data on the gender composition of the workforce were received from senior managers responsible for 308 contact centres and covering 55,790 employees. While the data is not complete such a large sample size means that we can extrapolate with confidence these proportions of men and women to the Scottish workforce as a whole. Table 15 displays the headline finding that 58.1 per cent of Scotland’s contact centre workforce is female and 41.8 per cent male. The table also shows how the gender differential in the sector over the course of the five audits.

Table 15: Gender composition of Scottish contact centre workforce, 1997-2011

Year	Females %	Males %
2011	58.1	41.8
2008	57.5	42.5
2003	61.3	38.7
2000	63.8	36.2
1997	67.4	32.6

Since 1997 there has been growth in the proportion of males and a corresponding decline in that of females. Such a trend challenges perspectives that regard call/contact centre work as defined substantially by gendered attributes. However, challenging simplistic stereotyping of contact centre work as exclusively women’s work does not mean neglecting important gendered characteristics (see Belt, 2002; Durbin, 2006; Scholarios and Taylor, 2009; 2011). It is certainly true, as the 2008 audit demonstrated, that certain activities or workflows and in particular industries appear to be ‘gendered’, in the sense that they have greater or lesser proportions of the men and women. This pattern is confirmed in the 2011 audit.

Table 16: Gender composition by industrial sub-sector, 2011

Industry	Male %	Female %
Computing/IT	63.6	36.4
Telecommunications	51.6	48.4
Health	58.9	41.1
Utilities	39.4	60.6
Media/broadcasting	37.5	62.5
Retail	32.6	67.4
Public sector	32.5	67.5
Charity/not for profit	31.1	68.9
Travel/transport/holidays	30.7	69.3
Food and drink	17.8	82.2

Males tend to be concentrated in technical help desk and IT/software roles, which can be illustrated by the fact that slightly less than two-thirds of employees (63.6 per cent) in the IT/computer industry are males. In the telecommunications industry, there is a large number of customer servicing and sales roles but, at the same time, many technical and help-desk positions. Consequently, we find that males comprise a majority of the workforce (51.6 per cent as compared to 48.4 per cent). Drilling down further, we find a greater male density amongst certain higher end roles in the financial services sector such as stockbroking.

Notable concentrations of females can be found in travel/transport/holidays (69.3 per cent) and the public sector (67.5 per cent). Within the latter broad category almost four in five of those employed in local government centres are female.

The gender composition of the Scottish contact centre workforce is 58.1 per cent female and 41.9 per cent male. In contrast, in 1997 more than two-thirds and less than one-third of the Scottish contact centre workforce were females and males respectively. While women remain disproportionately represented in customer service, there is now greater equivalence between the sexes, a pattern that challenges stereotypical representations of contact centre work as exclusively women’s work.

Nevertheless, ‘gendered’ aspects can be discerned. For example, males tend to be concentrated in the IT/computer sector in technical and help-desk roles and in certain higher level financial services activities, such as stockbroking. Notable higher proportions of females can be seen in food and drink, the travel/transport/holiday industries and in the public sector, particularly local government.

2.17 Non Customer Facing Roles

It is possible to provide informed estimates of the numbers engaged in the various non-customer facing roles. Respondents provided data for 256 centres, a sample large enough to be able to provide informed estimates of the relative proportions of the non-customer facing roles across the sector as a whole. Table 17 presents these proportions and applies the percentages to the overall contact centre workforce.

Table 17: Non Customer Facing Roles

Role	% of Employment 2011 (2008)	Estimated Total Numbers 2011
Customer facing roles	81.9 (82.2)	73,695
Team leaders	6.8 (7.0)	6,090
Managers	1.7 (2.7)	1,537
Other heads	1.6 (2.7)	1,437
Other roles	8.0 (5.4)	7,241

According to these calculations, 6.8 per cent of the Scottish contact centre workforce is composed of Team Leaders, 1.7 per cent are managers, 1.6 per cent are other managers and 8.0 per cent are in other ancillary or support roles or are engaged in other activities that are integral to the contact centre but do not face the customer. As was discussed

above (Section 2.3), the evidence confirms the ‘flat’ hierarchical structure of the contact centre; the ratio of supervisors to customer contact advisers is 1 in 12 and with managers it is 1 in 48. Adding numbers of supervisory and managerial grades immediately involved in contact centre operations, and weighing them against advisers/agents, the combined ratio is approximately 1 in 10.

Comparing the customer facing and non-customer facing roles between 2008 and 2011, there is little change in the proportions of customer facing staff and in terms of supervisory/team leader positions. There has been a reduction in the numbers of contact centre managers and other heads of department. Finally, there has been an increase in the proportion of ancillary and support roles from 5.4 per cent in 2008 to 8.0 per cent in 2011, which may be related to the trend to multi-channel customer contact and an increase in self-service and automation.

There has been little change in the proportion of customer facing roles in Scottish contact centres between 2008 (82.2 per cent) and 2011 (81.9 per cent) and in the proportion of team leaders in 2008 (7.0 per cent) and 2011 (6.8 per cent). The evidence confirms the contact centre as having a flat managerial hierarchy; the ratio of supervisor to contact centre advisers is 1:12 and managers it is 1:48 and combining them it is 1:10.

2.18 Foreign Languages

Of the 374 centres, 308 (82.4 per cent) provided data on the extent of their foreign language provision; 202 reported that there no foreign language agents and 55 that they did provide dedicated foreign language services. Managers of a further 28 centres reported that staff had foreign language capability that was drawn upon when required even though the centre did not offer dedicated foreign language services. Finally, an additional 23 centres were able to refer customers to a specialised language service.

The 55 centres that provided dedicated foreign language services employed 3,134 agents on these services, or 3.5 per cent of the overall Scottish employment. These figures for 2011 indicate growth since 2008, when 1,900, or 2.8 per cent of the total of agents employed in the Scottish sector, were employed on foreign language services. In turn, this compares to 3,581 foreign language agents in 2003 (6.6 per cent of the Scottish workforce) and to 4.6 per cent of the total in 2000. The reduction in numbers between 2003 and 2008 could be explained by the group-wide rationalisation of operations at the company that at that time was the single most important foreign language provider in Scotland.

Not surprisingly the most common services are in the west and south European languages; French, German, Spanish, Italian, Portuguese, Greek, Flemish and Dutch. A cluster of centres provide these and in addition the Scandinavian (Nordic) languages (Danish, Finnish, Norwegian and Swedish) and services for a range of Eastern European countries (Baltic States, Russian, Ukrainian, Czech, Slovakian, Serbo-Croat).

A smaller number of centres report providing services in diverse African, Asian and Middle Eastern languages. One recent development is for contact centres to deliver services to

customers resident in the UK but in their native languages. This category includes those communicating with customers who speak a number of Asian languages (Hindi and Punjabi but also Mandarin and Cantonese as well as Malay and even Tagalog) and those more recently arrived from Eastern Europe. We reported in 2008 that a major financial services company had opened a dedicated channel in its Glasgow centre for banking services for existing and new Polish migrant customers.

It is important to underscore the important presence in Scotland of a number of multilingual contact centres that provide services in a diverse range of languages as key EMEA (Europe Middle East and Africa) operations for their organisations. As previously observed multilingual centres constitute a niche market which emerged in the mid-1990s and tended to be pan-European operations run directly by, or on behalf of, U.S. multinationals. Scotland, Ireland, and particularly Dublin, but also the Netherlands were the most prominent locations.

Research by the author (Taylor, 2007) indicates that these remain the most important multilingual hubs of despite the claimed promise of lower cost multi-linguistic capacity in Eastern Europe. The scarcity of European languages in India means that multilingual centres are not a feasible proposition, other than for delivering domestic services in different Indian languages. Given the depth and availability of foreign language skills in the Scottish labour market (Oxford Intelligence, 2008) Scotland and its relatively low cost base Scotland, in relation to London and the south-east of England, is an attractive location for multilingual contact centre activity.

Almost 15 per cent of contact centres in Scotland provide dedicated foreign language services, which accounts for more than 3,000 agents and 3.5 per cent of the overall Scottish workforce. There has been some increase in the extent of dedicated foreign language provision since 2008.

The proportion of foreign language speaking staff in Scotland is greater than these figures suggest as a further 28 organisations, while not providing dedicated services, draw upon the linguistic skills of their employees when required.

The most common services are in the western and southern European languages, while a cluster of centres service the Nordic and Eastern European geographies. Diverse Asian, African and Middle Eastern languages are often provided. In this respect, it is important to highlight those multilingual centres that act as key EMEA (Europe Middle Eastern and African) hubs for their companies. Due largely to language availability at relatively low cost, Scotland is well-placed to extend its multilingual presence.

2.19 Reasons for Locating or Retaining Contact Centres in Scotland

In the audit *pro forma* which contact centre managers were required to complete, a single open question asking respondents to give the reasons for why their organisation had located or had chosen to retain their contact centre operations in Scotland. Constraints of space prevented us from asking separate questions on the initial location of centres and then asking for longer established organisations to reflect on the reasons for retaining their centres in Scotland. Clearly an organisation might provide differing answers to each of these questions if they were asked separately. Given the length of time many centres have now been established in Scotland, senior management respondents may not be able to recall the precise reasons why

their centres had been located in Scotland in the first place. The organisational memory might have been lost.

Mindful of these limitations, the responses presented below (Table 18) are *indicative* of the principal locational reasons. The method adopted was to group together similar responses into a single category. Altogether responses were received for 254 contact centres. One difficulty in analysing the data was the fact that managers tended to give multiple reasons in the same response. An example of this might be a senior manager reporting that their firm had retained their contact centre in Scotland because it was a strategic site and because of the quality and availability of skilled labour where the success of the operation had been proven. In this answer, it is possible to identify three distinct reasons – strategic site, labour advantages, successful operation - albeit that they are connected. Insofar as it has been possible, the method adopted has been to separate out the different reasons that are

Table 18: Reasons for Locating or Retaining Contact Centres in Scotland (n=254)

Reasons	Number
Labour market - availability/skills/quality/low turnover	88
Successful location/established or strategic location/outcome of restructuring	73
Local government/central government	66
Proximity to customers/markets/clients' and customers' wishes/local knowledge	43
Outgrowth of existing business/historical/HQ located in Scotland	43
Costs/cheaper	36
Grants/financial assistance	23
Scottish accent	16
Transport links/access by transport	8
Others	24

Perhaps unsurprisingly the responses to this question are similar to those given by managers in 2008. First, the most frequently given reason relate to the importance of the labour market and supply. The availability of skilled labour capable of giving 'quality' customer service is and has been regarded most significant in influencing locational decisions.

Second, and so closely related to the first that it probably should not be considered as a separate reason, is the decision to retain facilities in Scotland (or particular location) because of the evident success of the operation. Quite often managers stated that the positive performance of their centres had informed strategic decisions taken by companies where Scottish sites were identified as key to their UK-wide operations. Restructuring and rationalisation might lead to downsizing at, or the closure of, other sites across the UK, but in several instances managers reported that their organisation had chosen a Scottish site or sites as they had emerged as most successful in a benchmarking exercise or were deemed to be strategic operationally.

The third most commonly reported reason for location was related to the public sector. Managers of local authorities and in emergency services referred to the need to have centres situated locally or regionally close to the public for whom they deliver services. Similar considerations have influenced the locational decisions of central government agencies and bodies.

As a counterpoint to the widespread assumption that globalisation is leading to a death of distance and overseas re-location to low cost destinations is a dominant trend, it is interesting

to note the sizable number of organisations to emphasise the importance of locality. Several elements are bound up with the acknowledgment of the significance of local place, including the need to have services in proximity to customers, perhaps for reasons of the importance of familiarity of the local, whether accents or culture or knowledge of the characteristics of place. In an outsourced relationship customer or client preference is clearly a significant factor. Sixteen of the managerial respondents explicitly referred to the importance of accents. There are a number of elements to this reason. Some organisations are drawing the contrast with India and the accents of front-line call-handlers in offshore locations which are seen as problematic. A fuller discussion of this issue will follow below (Section 3). Others, though, are referring to the purported qualities of the Scottish accent and linguistic/cultural interaction; warmth, homeliness, trustworthiness, friendliness and so on. For a number of organisations these qualities gave Scotland a locational advantage over other parts of the UK.

Equally common as a cited factor, and often related to the significance of local place, is the circumstance of a contact centre being an extension or outgrowth of an existing local business or for other historical reasons, notably that an organisation might have originated or have its headquarters in Scotland.

Thirty-six respondents explicitly stated that costs or lower costs were a main reason for locating or retaining their centre in Scotland or a specific city or town in the country. There are several elements to this response, including the cheaper cost of labour in Scotland (relative to other potential locations but notably London) and lower accommodation costs. In reality, costs are more important to organisations than these figures suggest. Many organisations who emphasised labour availability and the skills of the workforce were also implicitly acknowledging the importance of *relative* labour cost. In addition, it is evident that the provision of grants, incentives and other forms of financial assistance are also important for a minority of organisations.

What is also clear from the responses in Table 18 is that decisions to locate contact centres in Scotland or indeed specific places within Scotland - or to retain them there - are based on multiple factors rather than a single dominant factor. The supply and the perceived capabilities of the Scottish workforce are important *in combination with* several other factors which include cost, infrastructure, transport links, customer bases and client preference. A few selected quotations from survey respondents give a flavour of their perceptions of these locational factors.

‘No reason to base our department in Scotland. However, we have very committed, passionate staff members!’

‘We have other call centres in the locality, so that we have had an excellent experience of local people for recruitment. As we are an “out of city centre” that lowers recruitment costs.’

‘The operation here in Glasgow has been remarkably successful. It is the hub of the [the company’s] activities and is the only centre in the UK or for that matter internationally. Many of the roles depend upon customer contact’

The most common reasons given by organisations for locating or retaining their contact centres in Scotland relate to the labour market and, in particular, the availability of labour with the appropriate skills and attributes and at relatively

low cost. The successful experience of centres is clearly important. Often this is related to firms' decisions, by which Scottish sites have been identified as key or strategic locations, perhaps following organisation-wide benchmarking reviews. The public sector whether local authorities, emergency services or central government agencies, generates a specific localised locational pattern.

A significant number of private sector organisation indicated the importance of serving local markets, or delivering services that were sensitive to local influences. Often related to this factor are historical reasons, whether the contact centres are the outgrowth of existing operations based in Scotland or companies have its HQ located here.

Notwithstanding some disinclination to acknowledge the importance of costs, a large minority of respondents explicitly emphasised the importance of lower costs, relative to London and the South East of England. Evidently, the provision of grants, incentives and other forms of assistance remain important for a significant minority.

Despite some firms having quite specific reasons, decisions to locate or retain centres in Scotland are ordinarily based on multiple factors rather than a single dominant reason. Skilled labour availability is important in combination with several other factors, including cost, operational experience, infrastructure, transport links, local customer base and client preference.

2.20 Lack of Available Skills, Facilities or Resources

As in previous audits management were asked to identify those areas where they had experienced problems in accessing skills, facilities or other resources. The question was open ended with the intention of eliciting wide ranging responses covering infrastructural and technological difficulties as well as those more obviously relating to labour supply and skills. The method adopted was to group together similar responses into a single category. Altogether responses were received from managers responsible for 200 contact centres. There was less of a problem with collating the responses for this question as respondents, with but a few exceptions, provided only a single definite answer in the affirmative or negative, albeit with some accompanying explanation. This legitimates the use of percentages in Table 19.

The overwhelming majority of those organisations that did respond (148 or 74 per cent) reported that they had not experienced any shortages or difficulties in the availability of skills, facilities or resources. A further 24 (12 per cent) actually gave a positive answer, most often in relation to the availability of skills and human resources. In order to give a flavour of this general expression of satisfaction, it is helpful to present a sample of representative comments. As can be seen, contact centre and HR managers were aware of how the financial crisis and recession had impacted on the labour market generally, ensuring that their organisations were well placed to recruit capable and experienced staff.

‘We have no problems. Unfortunately, because of the economic climate, we can pick the best of the crop. We get 100s of applicants each time we advertise’. (Local authority, contact centre manager, Dundee)

‘There is no real difficulty recruiting people in the current labour market if we were in a position where we needed to. The company has a policy of not recruiting externally at the moment but growing and flexing internally, particularly using redeployment. (Telecommunications, contact centre manager, Edinburgh).

‘There is a wide range of available people in the market, particularly with respect to financial services contact centre experience. We can recruit these people who have good communication and customer service skills but because we are a relatively specialised industry, it is obviously not that easy to find people with that specific skill set’. (Facilities Management, human resource manager, Glasgow)

‘We have a dynamic and diverse labour pool which means that we can recruit without difficulty. If we did need linguistic resource, for example, then I am sure that we would be able to access it’. (Telecommunications, contact centre manager, Glasgow).

‘We have got a good base in [town in the Highlands] and are able to recruit from a wide catchment area from the area around our centre as far as Inverness. The result has been a very good supply of excellent talent, many of whom we have developed ourselves. (Telecommunications, operations manager, Highland and Islands town)

This positive picture, as far as managers are concerned, of the availability of labour skills, albeit because of the context of economic stagnation, is general across Scotland notwithstanding a certain degree of local - or sector or firm-specific – variation. The proportion of organisations reporting difficulties has declined noticeably from 2008, even though at that time only a very small number of managers had reported concerns. Table 19 compares these responses over the two audits.

Table 19: Lack of available skills, facilities or resources (2011, n=200; 2008; 257)

Category of response	No. 2011	% 2011	No. 2008	% 2008
None/no issue	148	74.0	157	61.1
Foreign languages	12	6.0	20	7.8
Senior contact centre roles	7	3.5	8	3.1
Sales skills	6	3.0	12	4.7
Education – weaknesses in college provision	6	3.0	10	3.9
CC skills combined with finance sector, technical, language skills	5	2.5	8	3.1
Customer service skills	3	1.5	17	6.6
Software solutions/technical capability	2	1.0	2	0.8
Other	11	5.5	23	8.9

Of those organisations that did identify weaknesses almost all were related to difficulties in recruiting specific skill sets. As can be seen a minority of centres do report some difficulties over foreign languages, but this problem is typically in relation to specific languages for particular periods and does not constitute a general problem with foreign language availability in Scotland. It is more a question of the ‘right languages at the right time’ as a contact centre manager reported in 2008.

Seven centres reported difficulties in recruiting senior roles. A senior manager of a major third-party provider which operates a number of facilities across the country, reported that there were difficulties in finding the ‘Skillset of higher management including Heads of Department and

Directors', which meant that the company looked 'UK wide to fulfil these roles, not just in Scotland'. For some there wasn't so much a difficulty as the fact that it was often not possible to find suitable numbers of people in Scotland.

Only very small numbers were reporting weaknesses in sales or customer service skills. In terms of the latter, respondents suggested that the restructuring and downsizing both within and beyond the contact centre sector had increased the availability of customer service staff. A small number indicated that it was not so much the absence of contact centre skills that was the difficulty, but the availability of these core competencies in combination with a range of specific skills, such as the ability to give mortgage advice, technical skills or a particular language. However, it should be noted that it is only a very few centres that are complaining of this weakness.

Six organisations suggested weaknesses in education provision. Some respondents believed that local colleges should have closer relationships with the industry and with their organisations, notably in respect of providing training for students in a range of contact centre skills.

A clear majority of respondents (74 per cent) had not experienced any problems in relation to the availability of skills, resources or other facilities, a figure that was higher even than in 2008. Unsurprisingly, organisations indicated that the economic environment had placed them in a more favourable position to recruit highly skilled staff.

However, a minority of respondents reported shortages of foreign language skills, but this was a matter of episodic deficits in specific languages, rather than a shortage of language skills across the sector. Smaller numbers reported shortages of customer service and sales skills and that senior contact centre roles (team leaders and managers) perhaps had to be recruited from the UK rather than from Scotland. Echoing previous audits, a very small number reported that it was not so much the absence of generic contact centre skills that was the problem but rather the lack of customer service skills in combination with other skill sets such as in foreign languages, technical ability or financial service competencies.

A final issue, although again reported by very small numbers, is the relationship between contact centres and their local further education colleges, particularly in respect of appropriate training provision.

2.21 Building and Accommodation Needs

A focused question, containing a number of separate items, on managers' perceptions of their needs in relation to their building and accommodation, was included. The request for this question came from Scottish Development International/Scottish Enterprise who are conducting a broader study into this area. Initially, respondents were asked for their agreement or disagreement with statements. The results are presented in Table 20.

Almost 9 in 10 centres (89.7 per cent) agreed or strongly agreed that their building did meet their centre's current requirements for space and only 6.8 per cent disagreed or strongly disagreed. No particular locational pattern is evident in the responses of those who disagree, although perhaps two themes can be discerned. First, some centres are in old buildings (local

authorities in a few cases) which are not fit for purpose and, second, there are those centres that have experienced expansion and capacity is an issue.

Table 20: Managers’ Perceptions of building and Accommodation Needs (n=262)

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
Our building/accommodation meets our current requirements for space	32.4	57.3	3.4	5.7	1.1
We are confident that our current building/accommodation will meet our requirements over the next four years	27.9	46.9	14.5	8.8	1.9
We are confident that the market should meet our requirements should they change	17.6	59.5	21.4	1.5	0.0
We are satisfied with public transport links to our centre	26.3	53.1	5.7	11.1	3.8

Three-quarters of centres (74.8 per cent) either agreed or strongly agreed that their building/accommodation would meet their requirements over the next four years. That 14.5 per cent neither agreed nor disagreed is a reflection of the uncertainty organisations have regarding future business prospects, as indicated in Section 2.9. However, managers for more than in 1 in 10 centres (10.7 per cent) disagreed or strongly disagreed. Again, there is no particular geographical pattern to these centres, nor is there any particular sectoral theme.

Organisations were overwhelmingly positive in belief that should their requirements change then the market would be able to meet new demands. Almost four in ten (77.1 per cent) agreed or strongly agreed with the statement. Again, given future uncertainty and many organisations’ unwillingness to make predictions, 21.4 per cent they neither agreed nor disagreed. Perhaps the most notable response is that only 1.5 per cent of managers did not believe that the market would meet be able to meet their requirements should these change.

Finally, organisations were asked to indicate agreement or disagreement with the statement, ‘We are satisfied with public transport links to our centre’. Managers responsible for almost 8 in 10 centres (79.4 per cent) agreed or strongly agreed with this statement. In contrast, however, almost 15 per cent disagreed or strongly disagreed. Analysing their geography, it is unsurprising that ten of these centres were located in the Highlands and Islands. Many of the others were in rural areas (Aberdeenshire) or on the outskirts of towns, perhaps in business parks (in Lanarkshire for example). Where managers of city-based centres reported transport difficulties, these centres were exclusively in locations in the outskirts or suburbs of cities where public transport links were limited. This issue of inadequate public transport connections, albeit reported by a minority of organisations, has emerged in previous audits. Transport connectivity with out-of-town locations is an public policy issue in respect of developing BPO hubs such as Eurocentral at Mossend. One manager with a centre in the vicinity stated,

Eurocentral requires a good link to local transport hubs. I believe that the area cannot reach its potential as many suitable candidates simply cannot get to the area.

Respondents were also asked to volunteer reasons for their answers and 118 chose to do so. The majority provided commentary on their positive experience and expectation of accommodation. However, several amplified on the reasons why they had given negative

answers, particularly in relation to concerns over transportation. The first quote is a fairly typical comment made by managers centres in rural or remote locations.

Some problems for staff living in more dispersed locations as public transport is limited. Staff on early shifts and late shifts have some difficulties. For example, some have to leave home at 5am for an 8am start.

Some managers also provided insight into the difficulties encountered when their centre was situated in an out-of-town business park. In the case of this respondent the situation had not improved despite promises from the local authority and the persistence of their complaints.

There are no bus routes close to our centre which gives us and our staff problems. Many have to catch taxis to and from work. Since we opened the local authority has promised us that transport links would be established, but nothing has materialised. We have raised the issue many times, but to no effect.

Other respondents delivered a mixed message, being satisfied in some respects but dissatisfied with other aspects of their building and location. The following is a good example of a manager whose centre might be regarded as a city location but is located some distance from the transport hubs.

The facility is excellent. Public transport links, however, could be better but this is because of the centre's specific location just outside of the city centre. It would have been preferable to have been in the city centre or in an out of town business park. It is not disastrous though.

This open question did pick up a small number of additional responses that were concerned not with accommodation *per se* nor with the matter of transport links, but with broader infrastructural and connectivity issues. The manager of this centre in the Highlands reported on the fact that they might have to relocate their centre because of technological (i.e. bandwidth) limitations.

Our current requirements will change over the next three years due to demand for increased technical support for our global client base. If our customer base continues to grow at the current rate we will probably have to relocate to an area where higher bandwidth can be achieved. The lack of ability to tie into the main data trunk lines means our bandwidth is now working at maximum.

An additional question asked contact centre managers to indicate how they thought the situation could be improved in cases where they believed there were problems. Most of the responses related to the need for improved transportation with specific suggestions such as late night buses to cater for the 24/7 nature of the operations or changes to existing bus routes to ensure that they ran past centres. Other specific suggestions included an extension to the Glasgow underground and the building of a rail-metro link from Glasgow airport to the city centre. In some cases, managers wished to see local councils to intervene either directly in terms of providing transportation themselves or indirectly in persuading the bus companies to improve connections.

Organisations overwhelmingly believed that their building or accommodation currently met their requirements for space. For those disagreeing the most

frequent problems were an old that was not fit for purpose or the fact that the headcount had grown. A large percentage thought that their building would meet their needs for space over the next four years, despite a minority disagreeing and many being unsure of their future headcount. Organisations were even more convinced that should demand for capacity increase, the market would be able to meet their requirements.

While almost 8 in 10 respondents were satisfied with the public transport links to their centre, a significant minority (almost 15 per cent) reported difficulties. Most of these centres were in remote or rural areas, but a number were located in out-of-town business parks or in relatively inaccessible outskirts of major cities. The most common recommendation was for improvements to bus routes and timings with the active intervention of local authorities to ensure that changes were implemented.

2.22 Differing Channels of Customer Contact

As in previous audits organisations were asked to provide figures for the volumes of business delivered through the various forms of customer contact. The purpose of this question was to achieve a greater understanding of the extent to which voice contact is being complemented by differing forms of customer interaction. It should be noted that since organisations only provided approximate figures of the volumes of business through each channel, the findings should be regarded as indicative rather than definitive.

In total 246 organisations supplied data and their collated responses are presented in Table 21. The data from 2008 has been presented in rows beneath that for 2011 for purposes of comparison.

Table 21: Approximate % business volumes by customer contact channel (2011 n=246; 2008 n=261)

	100%	90- <100%	80- <90%	70- <80%	60- <70%	50- <60%	40- <50%	30- <40%	20- <30%	10- <20%	>0- <10%	0%
Phone												
2011	22.4	27.2	16.7	14.6	5.3	6.1	1.6	2.0	2.4	0.4	1.2	0.4
2008	18.8	35.2	14.2	8.8	6.1	7.7	1.5	5.0	2.7	0.0	0.0	0.0
Email												
2011	0.0	0.0	0.8	0.4	0.8	2.0	2.0	4.9	7.7	15.0	33.3	33.7
2008	0.0	0.0	0.8	0.8	0.4	2.3	1.5	4.6	5.7	18.0	29.1	36.8
Chat												
2011	0.0	0.0	0.0	0.0	0.0	0.8	0.0	1.2	0.8	2.4	10.2	84.5
2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	5.7	93.5
IVR⁹												
2011	0.0	0.4	0.0	0.0	1.2	1.6	2.0	1.6	0.8	3.2	10.2	78.9
2008	0.0	0.0	0.0	0.0	0.0	1.1	0.0	0.0	2.3	3.8	14.9	77.8
Internet												
2011	0.0	0.0	0.0	0.0	0.4	0.0	1.2	2.0	4.1	9.8	16.3	62.2
2008	0.0	0.0	0.0	0.0	0.8	1.1	0.8	2.3	2.7	9.2	18.8	64.8
Other												
2011	0.0	0.0	0.0	0.0	0.0	0.8	2.0	1.2	2.4	6.1	8.1	79.3
2008	0.0	0.0	0.0	0.0	1.9	1.9	1.9	0.4	1.9	5.0	10.3	77.0

⁹ Organisations pointed out that it was difficult to provide exact figures for IVR since it most often does not operate as a distinct channel of customer contact but is genuinely blended in with voice and indeed other forms.

It is hardly surprising that telephone voice contact remains easily the dominant mode of interaction with customers. What might be more surprising is the fact that the number of centres that report providing only voice services has actually increased from 18.8 per cent to 22.4 per cent. Still, it should be emphasised that this 100 per cent voice contact is delivered by only a minority of centres. In overall terms there does seem to be some diminution in the proportion of voice to other forms of customer contact. Although there has been a significant shift towards the emergence of genuine contact centres which utilise a combination of channels to interact with the customer, the enduring importance of voice contact is patently obvious and, it can be suggested, the extent to which it was expected that voice would be supplemented (or even displaced) by other channels has not been fulfilled.

Alongside the telephone are various forms of customer contact as indicated. The most common ancillary channel is email; around two-thirds of centres now report that they conduct some business by email and for most centres email now comprises an important complementary channel. The proportion of organisations saying that they do not use email has reduced since 2008, from 36.8 per cent to 33.7 per cent.

Next in terms of significance is the internet, which is used by more than one-third of organisations for business transactions to varying degrees. Again, there has been a marginal increase in the utilisation of the internet since 2008. Given expectations regarding the impact of the internet, which were first detected in the 2000 audit, it might be suggested that it has not yet developed as the channel of customer contact consistent with these expectations.

However, web chat does appear to be emerging as a medium of customer contact; 14.5 per cent of centres now report its utilisation as compared to 6.5 per cent for 2008. Included within the 'other' category, are what might be regarded as more conventional forms of contact – paper mail and fax – and text messaging, which is clearly on the increase.

The findings confirm the transition from the first generation pure voice call centre to the multi-channel contact centre. Telephone services are increasingly combined with other forms of customer contact, notably email but also the internet and web chat. There has been marginal growth in blended delivery since 2008.

However, the internet has not developed as a form of customer contact to the anticipated extent. While the use of non-voice forms of contact has undoubtedly expanded so too has voice business, providing additional confirmation of the argument contained in previous audits that the internet would not become a substitute for telephone services but would complement it as part of a general expansion of customer contact.

2.23 The Growth of Automated Service Provision

A related question asked respondents to consider the anticipated the growth of automated service provision, such as voice recognition and the web, over the next two years. Once again this was an open question and we have collated similar responses into groupings. Before examining these in more detail, it is helpful to use a more general categorisation based upon responses for 257 contact centres (Table 22).

As can be seen, a large proportion of organisations report their intention to increase automated service provision. This growth is anticipated to occur in more than three-quarters of centres

(76.8 per cent). By contrast, only 21.2 per cent reported that they did not anticipate growth in automated provision.

Table 22: Do you anticipate the growth of automated service provision?

	Number	%
Yes	199	76.8
No	55	21.2
Yes and No	2	0.8
Possibly/don't know	3	1.2

A small number stated that they were not sure and two gave the apparently contradictory answer 'yes and no'. In fact, this latter response was a rational deliberation on possible implementation given acknowledged differences in the complexity of services provided. This statement by the HR Manager of a Glasgow financial services centre employing almost 2,000 staff illustrated the distinction.

Yes in the sense that in some areas it will be possible and even desirable but no in the sense that there are areas of complex customer interaction in which the customer will always want to speak to knowledgeable staff.

A large number of organisations (187) provided examples of the forms of automation that they anticipated they would implement over the next two years. Clearly, the drive to increase the adoption of, and take-up by customers of, forms of self-service emerges as a major anticipated trend. Many times over, respondents indicated their desire to reduce the volume of telephone-based services and increase the volume of on-line, internet based business. Where organisations gave reasons for this desired transition, the most common was the desire to reduce costs, essentially eliminating labour costs, by automating standardised and transactional voice services and transforming them into 'self-service' by customers. Many described how they were embarking on a channel shift. Some referred to the fact this had been their intention for some years but that it had not yet been implemented, an observation that is consistent with the findings presented in section 2.22 which demonstrated the enduring dominance of voice.

It was also reported by some that while on-line provision had existed for some time, the take-up by customers had been limited and that to drive larger volumes of business from this channel their organisation would have to consciously push customers in this direction. In other cases on-line, web-based and automated channels would require greater investment than hitherto in order to improve their functionality and to make them more user-friendly. In this sense, there had been a gap between intention and realisation that organisations were now determined to bridge. However, the stated shift in this direction of automation is being driven by intensified competition within the sectors in which contact centres are embedded and the ongoing pursuit of aggressive cost reduction within the broader context of economic stringency and austerity. The adoption of self-service and automation as a response to economic crisis will be considered further in section 2.24.

It is important to acknowledge that even organisations that were most enthusiastic for the adoption of self-service believed that voice would necessarily continue to play an important complementary role. Customers would always need queries answered and even the most sophisticated and user-friendly interface in the final analysis was not an interactive medium. Organisations reported how they were developing web chat windows and click to voice buttons so that customers could interact in real time with advisers whilst navigating web pages.

In addition to and complementary to this self-service, the other most commonly reported anticipated developments were web chat, SMS, social media and IVR. Only a small minority of organisations anticipated the adoption of voice recognition, fewer than had indicated so in 2008. In order to provide insight into the intentions and motivations of organisations, a representative selection of responses is presented below in Box 1.

Box 1: Anticipated growth of automated service provision

‘At present we are investing in the digital sector of our business with a view to growing the multi-channel aspect’. <i>(Finance sector – banking)</i>
‘At the moment our operation is based upon voice supporting customer use of the internet. The proportion of internet based transactions vis-à-vis voice is set to grow. <i>(Finance sector – banking)</i>
‘By referring clients to our online systems they should be able to answer their own enquiries and free up the contact centre operations’. <i>(Specialised finance services)</i>
‘Definitely moves to self-service. It is perhaps surprising how little progress there has been made to date given the hype surrounding automation’. <i>(Outsourced financial services provider)</i>
‘Expansion of on-line self-service and application with decision making facilities as well as growth of mobile apps and further advances in mobile banking and chat/help facilities’. <i>(Finance sector – banking)</i>
‘Increased use of text messages, email, IVM. Social media and web chat to communicate with customers. Mainly service reasons but some upselling’. <i>(Utilities sector)</i>
‘It’s inevitable. Automation will be introduced by many to improve response and to reduce costs. <i>(Outsourcer)</i>
‘Our aim is to channel shift various services that we currently provide to automated telephone services, online self-service and online integration with our back office systems’. <i>(Local authority)</i>
‘Self-service is being driven by the company. It is interesting that 80% of new business comes through the internet from price comparison sites, but then the customers are still serviced by telephone’. <i>(Finance sector, insurance)</i>
‘Speech recognition IVR directing customers to the right agent. Constantly looking to improve customer journey through automation or web’. <i>(Travel and holidays sector)</i>
‘Use of social media to respond to queries allowing contact centre companies to offer full 'contact' mix will be increasingly important. Web and mobile technologies will facilitate this increased change of pace’. <i>(Outsourcer)</i>
‘We are actively engaging with our customers about implementing automation and forms of web based support. It is the case that we are leading them in undertaking these initiatives, rather than them coming to us’. <i>(Facilities management)</i>
‘We are certainly looking at introducing self-service in order to reduce costs. Previously we did use internet based sales but we stopped it because it was not that successful and voice was needed to make sales effective’. <i>(Telecommunications)</i>
‘We are looking to channel customers towards self-service as an exercise in cost reduction although hopefully not at the cost of loss of customer service’. <i>(Telecommunications)</i>
‘We are not seeing the adoption of automated technologies to the extent that might be anticipated as the public still want to make contact by phone, perhaps because it is an emergency service, even though theirs might not be an emergency call. As a lot of the calls we are getting are switchboard calls we are introducing voice recognition technology which is very sophisticated. Our investment in this area will take out the most transactional calls’. <i>(Emergency services)</i>
‘We can only automate to a very limited extent. The nature of our operation is dealing with inbound written or email complaints and then communicating directly with customers in response. So we can automate certain processes such as acknowledgements but responding to complaints depends on interaction with customers which cannot be automated’. <i>(Telecommunications)</i>
‘We have launched an app which customer can download onto their PC desktop. This allows people to upgrade/downgrade channels easily without needing to phone up. Also, the application will develop with time to allow almost any transaction to be done easily without contacting us’. <i>(Media/entertainment)</i>

As can be seen the intention to increase automation and self-service is being expressed by organisations across the spectrum of industrial sectors. Nevertheless, financial services organisations are prominent amongst those companies embarking upon automated service provision. As noted, financial service companies were key to the wider diffusion of the call centre model throughout the economy (Taylor and Bain, 2007), were central to the first wave of offshoring and now appear to be amongst the frontrunners of implementing automation. Nevertheless, to repeat, the sectoral spread is diverse and is notable also amongst the outsourcers for whom investment in automated platforms has been identified as a key initiative in offering to clients a cost-effective service.

The anticipated trend to automating the most transactional standardised calls is evident from these quotes, but so too are insights into some of the constraints upon and limitations of self-service. A number of organisations did acknowledge that the quality of customer contact may be undermined through automation and, for this reason, it is extremely important to ensure that the live interaction with advisers is still readily accessible for customers.

The evidence from these quotes and from elsewhere confirms that automation is related to the segmentation of customers and processes. In other words, automation in its various aspects is seen as a transactional tool enabling large scale standardised processes to be taken out whilst ostensibly freeing up agents to undertake more complex and value adding customer service or sales activities.

A related question asked managers to indicate whether and in what ways the introduction of automation and new technologies would impact on training requirements. Of the 174 respondents, 72 (41.4 per cent) stated that there would be no impact. Of the remainder, the commonest response was that automation would ‘take out’ the most transactional calls leading to the requirement to upskill the voice services that remained. The following quotes give some of the flavour of these responses.

An increase in the levels of work and self-help applications mean that the issues we handle on calls are generally more complex and require more tools to resolve. *(Telecommunications)*

Do not see an impact on our call centre but as customers use automated channels for more transactional enquiries we will deal with more complex enquiries and relationship management. *(Financial services, banking)*

Increased sales knowledge and skills - training will be applicable to business needs. Also a growth in technical skills with increased usage of data and smart phones. *(Telecommunications)*

Multi-tasking in telephony, web, email, social media and instant messaging will be core in the future of customer service agents’ repertoire of skills and future training. *(Third-party outsourcer)*

For some organisations, it was not leading only to the need to up-skill or multi-skill. To the extent that there was going to be a shift towards away from non-voice services, new skill demands might emerge. Increased call complexity would also involve expanded product knowledge, technical capabilities and/or a greater need for relational communication skills (e.g. listening, empathy, emotional intelligence).

Greater emphasis on customer service skills via non-voice and improving the written skills of agents more used to providing information via voice. (*Travel holidays sector*)

A sizable number of organisations reported that their in-house training facilities and programmes were sufficiently successful and responsive so as to be able to cope with changing demands. For some, there was confidence that skilled agents would be able adapt to the new demands being placed upon them.

With emerging technology we find our people are already au fait with the technology and use them already so experience, adaptation and capability with emerging technology is simplified.

Continued focus on delivering differentiated and exceptional customer experience remains paramount. Technology must continue to protect the customer from fraudulent aspects and equally protect the customers' identity. (*Financial services, banking*)

A final theme worth commenting upon is the frequent comment that irrespective of whatever new skills are required, the core skill set of good customer service would remain fundamental to the operation of the contact centre. Further, as some observed, contact centres were in a good position in respect of the availability of these skills given the current state of the labour market.

More than three-quarters (76.8 per cent) of centres expected growth in automated service provision over the next two years. By contrast, only 21.2 per cent did not. The adoption of internet based, customer self-service is the major anticipated trend, discernible across all sectors but especially financial services, given organisations' desire to reduce the volume of exclusively telephone-based services. This channel shift is driven by the imperative of cost reduction, facilitated by 'taking out' and subjecting to automation the most standardised and transactional of calls.

Even organisations embracing the adoption of self-service believed that voice would continue to play a significant complement to automation. Other anticipated developments were web chat, SMS, social media and IVR. However, despite some enthusiasm by a small minority of managers for the introduction of voice recognition, fewer managers than in 2008 expected its adoption.

Many organisations believed that automation would lead to training challenges in relation to the up-skilling and multi-tasking that would result from the greater complexity of voice contact, once the most transactional and standardised calls had been 'taken out'. At the same time, several managers commented that non-voice customer interaction would lead to new demands, such as writing skills.

2.24 Impact of Economic Crisis

As has been emphasised a central objective of this study has been to understand the dynamics of the Scottish contact centre sector in the aftermath of the financial crisis of 2008 and subsequent economic recession and stagnation. While the quantitative data on employment levels and their disaggregation by sector, location and so on provides an empirical basis for measuring the change in the sector since the last audit in 2008, the survey included an open,

evaluative question to enable organisations to provide evaluative insight on the nature of the changes.

The specific question asked was, ‘How have the financial crisis and recession impacted upon your contact centre operations (e.g. call volumes, headcount, introduction of lean working, performance management etc.?’ The latter part of the question underscores its open nature. The intention was to elicit responses on all aspects of the contact centre’s operations, including volumes of customer demand and business, staffing levels and, finally, on aspects of work organisation and HR management.

Given the nature of the question and the fact that an answer could include more than one aspect, perhaps even relating different aspects, the responses have not been accorded percentage values, although they have been disaggregated to give some sense of frequency. The results presented in Table 23 should be regarded as indicative, rather than numerically or statistically definitive.

Table 23: Impact of Financial Crisis and Recession

	Number of Responses
Lean/operational excellence/efficiency drive/doing more with less	65
Increase in business/call volumes/headcount	61
Decline in business/call volumes/headcount	51
No impact	43
Introduction/increase in Performance Management	28
Budget cuts	15
Headcount reduced then increased	14
Headcount static	13
Automation	9
Attrition reduced	4
Increase in temps	4
Attracted new clients	4
Offshoring	3
Increase in multi-skilling/job rotation	3
Other	20

In analysing the most frequently reported impact of the recession, related characteristics have been aggregated. These are the introduction or intensification of lean working, operational excellence, organisational drives to efficiency and, as several respondents indicates, ‘doing more with less’.

Arguably, lean and this drive for efficiencies are nothing new. The essential character or purpose of call or contact centre, is that it is a lean operation, conceived and introduced as a cost-efficient mechanism for delivering customer interaction (Ellis and Taylor, 2006), depicted by some academics as the mass-customised bureaucracy (Korczynski, 2002). Equally true is the fact that intensified economic competition, mostly at sectoral level, from the late-1990s brought increased targets and the introduction of efficiency generating software (DTI, 2004; Taylor and Bain, 2007). However, it seems clear from the evidence here that the recession has generated a step-change in the implementation of lean mechanisms. Such an acceleration of lean has generated an intensification of effort, albeit that this trend was evident in the years preceding the recession (Green, 2006; McGovern et al, 2007).

Where the volume had remained at a similar level, it meant using fewer agents. Where volumes had increased, managers reported using similar number or sometimes even fewer agents than previously. This recalibration of staff to work volume is the outcome in terms of labour utilisation of ‘doing more with less’.

These labour utilisation strategies have been related in many cases to the introduction or extension of Performance Management policies and practice. As many as 28 respondents reported this response to the crisis. It is closely related to the introduction of lean and to the drive for operational efficiencies and perhaps should be regarded as the human resource management parallel to changes in work organisation and job design.

Organisation’s responses indicate mixed responses to the crisis in respect of the overall volume of business, headcount and call volumes. Somewhat more (61) reported that these had increased than those reporting that they had decreased (51). A further 43 respondents stated that there had been no impact, with 13 stating that headcount had remained static. Fourteen organisations reported that the headcount had at first reduced immediately after the crisis hit and in the months of recession but that there had been a subsequent revival in business.

Fifteen organisations report ‘budget cuts’ as an impact of the crisis, mostly in the public sector. It might be expected that this total would have been higher. As noted above, many budget cuts and austerity measures are still in the early stages of being implemented so, at the time of the audit, the implications for many public sector contact centres had yet to be fully felt.

It is possible to see a number of less frequently reported impacts. Although less common they may nevertheless be of great importance for the specific organisations reporting them. Confirming the evidence above 9 organisations reported that a main impact of crisis had been the implementation of automation. A small number (4) indicate that labour attrition had fallen.

While, as we have seen, there has been an overall reduction in the use of temporary workers, for some organisations increasing the use of temps has been an appropriate response to the crisis. Four outsourcers indicated that crisis and recession had the effect of attracting new clients as companies providing in-house services looked to reduce costs through externalisation. The extent and experience of offshoring will be discussed fully below. It is sufficient at this point to note that three respondents suggested that they had offshored services as a response to the need to cut costs that has been intensified by the recession.

Complementing the quasi-quantitative results presented in Table 23, are insights derived from the comments made by respondents (Box 2), which illustrate these findings.

Box 2: Managers’ Comments on Impact of Crisis and Recession on Contact Centre Operations

‘20% increase in volumes while head count reduced so operations excellenec/lean/six sigma and management training all a key focus’. (<i>Financial services, insurance</i>)
‘2010 was a difficult year but we have seen substantial growth in 2011 with corresponding headcount additions to deal with the increase in call volumes’. (<i>Private health care</i>)
‘All those (reduced call volumes, headcount, lean working, performance management). Taking on more services and have regular lean review of services. Doing more with less but also centre expanding because of reduction elsewhere as part of ongoing efficiency-savings. (<i>Local authority</i>)
‘As a business, we are one of the few in the outsourced sector to have remained in profit throughout the recession. When I joined in 2009, we recruited 1000 people. We have gained new clients because of the recession as they have tried to reduce costs but they have come to us because of our reputation and the excellent service that we provide. (<i>Third-party outsourcer</i>)

<p>'Biggest impact has been a slowdown in the volume and value of personal loan requests from customers and an upload in the value of loan consolidation. Our mortgage area has continued to flourish and we have expanded our small business proposition in the market place. Our business has long adopted a process of continuous improvement through Kaizen and Lean Sigma prior to the change in financial markets and this process has continued. <i>(Financial services)</i></p>
<p>'Call volumes have been impacted by the recession and by events in Egypt, Libya, Tunisia.' <i>(Travel/holidays)</i></p>
<p>'Call volumes have increased as a consequence of unemployment, income reductions and people checking entitlement'. <i>(Central government agency)</i></p>
<p>'Call volumes have increased as higher demand for local government services (Benefits, Rented accommodation) and an inability to replace vacancies has resulted in lower staff numbers. This second issue has now been resolved and recruitment is underway to ensure staff numbers match customer demands'. <i>(Local authority)</i></p>
<p>'Clearly the impact climate has driven BT to implement efficiencies and headcount reduction. These have been as much the result of good business practice as the impact of the recession'. <i>(Telecoms)</i></p>
<p>'Hard to gauge. We continue to experience growth year on year, but many of our competitors are experiencing a lot of difficulties. We are currently trying to cap costs (mainly our fixed costs) and streamline our operations, but this has more to do with adapting and improving our business model. Also, the nature of our work is changing (projects are getting more complex, more global), and this too is confusing the picture'.</p> <p>'Generally clients are wanting to pay less for their projects, but this could be in reaction to research agencies being more competitive in a crowded marketplace and the rise in overseas low-wage BPOs, rather than to the recession itself. In summary I would say that whatever impact is of the recession on our business, we would not be able to cope with more work anyway, and whilst there is a downward pressure on costs it is not necessarily attributable to the recession but more due to the prevailing cost conditions in the BPO market (to which we are relatively new entrants)'. <i>(Market research)</i></p>
<p>'Headcount has been reduced mainly at management levels. Performance Management frameworks have been pushed hard to achieve a better figure on first contact resolution. Streamlining of processes has also helped this'. <i>(Emergency service)</i></p>
<p>'Headcount during the recession has actually increased with the associated increase operational support functions. Call volumes have also increased due to securing new clients and extending organically our current client base'. <i>(Third-party outsourcer)</i></p>
<p>'In terms of lost jobs there has been no impact. Since December 2010 we have taken on people. Agency people feel more exposed to the effects of the recession. BT employees have received twice yearly pay increases but Manpower staff have not had the same pay increases.</p> <p>Call volumes have increased. We have also driven efficiencies over the past period although this has been an unfolding and ongoing transition rather than being precipitated solely by the recession. There has been a move towards lean but lean has always been an important element in our contact centre proposition'. <i>(Telecommunications)</i></p>
<p>'Lean working and stoppage of any recruitment activity. Also an increased focus on correct performance management so we are not wasting salary and time on employees who do not wish to perform and be employed by us as well as ensuring our customers to get the service they deserve'. <i>(Telecoms)</i></p>
<p>'Like many organisations, we have had to introduce lean working practices and ensure that we reduce costs. Although we pride ourselves on delivering for our clients, this has become even more important as there is more competition'. <i>(Third-party outsourcer)</i></p>
<p>'Our company has introduced a Continuous Improvement Program using Lean, Six Sigma and Kaizen'. <i>(Business services)</i></p>
<p>'The crisis has had a huge effect. There were two significant redundancy programmes which saw jobs exported to Bangalore. In the main, these were the lower complexity roles. However, we have been able to become multi-faceted in Glasgow to keep some of the customer facing roles but also to develop high-quality roles in professional support services and development roles'. <i>(Computing/IT)</i></p>

<p>‘The financial crisis has meant that we have been pushed heavily to reduce costs. At the moment we are looking at automation, why customers call and general enquiries. The call volumes in our centres have not dropped. Performance Management is in place and there is more focus on what good performance looks like and the balance between quantity and quality that can be found in a balanced scorecard’. <i>(Telecommunications)</i></p>
<p>‘The positive announcements made by our organisation indicate that we have not been negatively affected. As an organisation we received no government bailout, weathered the storm and have expanded in certain areas’. <i>(Financial services)</i></p>
<p>‘Three ways. 1) Lost employees due to offshoring to Noida. 2) Xmas 2009 a lot of work went into streamlining processing. Lots of functions went through departments irrelevantly, passing through too many hands. Lean working. 3) They went to a paperless office which saved money by reducing printing but could not go 100%’. <i>(Financial services, insurance)</i></p>
<p>‘We have doubled the workload but staffing levels now the same as 2008. Call volumes have increased dramatically - especially with recent weather-related calls - and staff get de-motivated because of the increase in abandoned calls and feel that it is their fault when in reality no-one could deal with that type of increase in call volume’. <i>(Local authority)</i></p>

A central objective has been to understand contact centre developments in the wake of financial crisis and economic recession. While quantitative data on overall employment levels and disaggregation by sector and specific location does provide an empirical basis for measuring change since 2008, the audit solicited evaluations of these changes from managers based upon their responses to an open question.

The most frequently reported responses relate to the introduction or growth of lean working, of operational excellence initiative and of drives for efficiency. Given the essential purpose of the contact centre to be a lean operation delivering cost-efficient customer service, it might be argued that the application of lean methods is nothing new. The audit evidence demonstrates, however, that the recession has generated a step-change in lean, in terms of both the breadth and depth of its implementation.

Where call volumes have remained at similar levels, fewer agents are used. Where volumes have increased similar or even fewer agents are employed. This recalibration of staff numbers to levels of demand is the principal labour utilisation outcome described by many as ‘doing more with less’. Such labour utilisation strategies are often related to the introduction or extension of tighter Performance Management policies and practices which contribute to an intensification of work.

Responses were mixed in terms of the overall volumes of business and headcount. Somewhat more described increases than decreases, while fewer numbers reported no impact and that headcount had remained static. Others reported fluctuating demand, a common pattern being headcount reductions immediately after the crisis followed by subsequent recovery and some revival in business, however modest. Unsurprisingly public sector organisations reported ‘budget cuts’, but many austerity measures had yet to be implemented at the time of the audit, so the implications for contact centres had yet to be fully experienced.

Specific companies reported that the recession had precipitated moves toward automation, had reduced labour attrition, had caused an increase in temporary

workers (despite overall reduction) as varied responses to, and impacts of, the crisis.

2.25 Outsourcing to a Domestic Services Provider

Organisations responsible for 37 contact centres of the 241 who provided data (excluding of course outsourced centres) reported that they outsourced some of their services to a domestic provider. Prominent amongst these were companies in the financial services, utilities and telecommunications companies but the use of outsourcers extends to all industrial sectors.

Perhaps the most important observation that can be made is of the relationship between the use of domestic outsourcing and the size of in-house contact centres. These 35 centres employ 20,496 in total, a mean workforce size for each centre of 585 employees, compared to the mean of a contact centre in Scotland of 232 employees. It is not size *per se* that is the important factor that influences decisions to outsource, but the fact that larger contact centres by definition have higher volume callflows which may be more standardised and transactional. As in 2008 several respondents suggested in comments that some of these callflows are perceived to be more capable of being outsourced since they carry less risk.

In addition to the dominant motive of cost reduction, there are several additional and complementary reasons given for domestic outsourcing. Notable amongst them is the requirement to deal with peaks or overflows in call volumes, reflecting seasonal or other spikes in customer demand. Outsourcers provide a facility for ramping-up and contracting supply without having to expand headcount or employ temps. Therefore, outsourcers provide organisations operating in-house contact centres with opportunities for externalising their labour flexibility. These objectives cannot be separated from the more fundamental dynamic of cost reduction since the use of outsourcers enables organisations to access solutions at lower cost than if they were provided in-house.

One final observation should be made. In 2008 the evidence of employers' intentions suggested that companies operating in-house centres would in all likelihood increasingly use domestic outsourcers. Nevertheless, several organisations did indicate that they would only be willing to use outsourcers only if they were convinced that service quality would not suffer. Thus, whatever cost advantages could be obtained through outsourcing could be negated by the perceived negative impact on service quality and damage to brand. In fact, the evidence from 2011 does not confirm that organisations in overall terms have increased their use of outsourcing as a response to the crisis. Related to the findings above, it seems that cost reduction through driving efficiencies within existing in-house operations has been a preferred response by many organisations.

Thirty-seven organisations out of a total of 241 in-house organisations report that they externalise some of their contact centre services to a domestic, third-party provider. Prominent amongst these are companies in financial services, telecoms and broadcasting and the media, but includes companies in all industries. There has been some growth in the use of outsourcers by public sector organisations.

Companies that engage in domestic outsourcing operate some of the largest contact centres, indicating that it is often the most standardised, transactional and low value callflows that have been contracted out. Allied to cost reduction, which is the dominant driver, organisations outsource in order to deal with peaks or

overflows in call volumes, ramping up capacity without having to increase the directly employed headcount. In sum, outsourcers provide opportunities to externalise labour flexibility.

Expectations made in 2008, based on respondents declared intentions, that a significant increase in domestic outsourcing would occur as a result of the need to cut costs in unfavourable economic conditions have not been realised. It seems that organisations have preferred to drive through efficiencies in their existing in-house operations than to externalise services, as this course of action runs the risk of exposing customer service to potential impacts on the quality of customer service.

Section 3 Offshoring

3.1 Offshoring to India or Other Overseas Locations

The 2011 builds upon an established body of research into scale and nature of contact centre offshoring and its consequences for Scotland's (Taylor, 2009; Taylor and Anderson, 2008; Taylor and Bain, 2003; 2006)

In 2011, thirty-two organisations, responsible for 63 contact centre sites in Scotland, reported that they currently engage in the offshoring. Of these 32 companies, 8 are in the financial services sector, 5 in telecoms, 8 were third-party suppliers (either UK based companies) or multinational service providers. The remainder were to be found in diverse industries. This total of 32 represents some decrease on that of 2008, when 37 organisations with Scottish contact centres reported that they were currently using remote locations to service domestic customers.

Perhaps the most significant finding of all is that the overwhelming majority of companies do not offshore services to India or other overseas locations. In passing, it should be noted that an additional seven organisations reported that they had previously offshored voice services but no longer did so. Of these, five were financial services companies. During the data gathering period, a prominent organisation made announced publicly that they were repatriating (or re-shoring) contact centre services from India. Ana Botin, Head of Santander for the UK stated.

This is what our customers have told us is the most important factor in terms of customer with the bank and we have listened to them and decided to bring all our retail call centres back from India. <http://www.bbc.co.uk/news/business1403889>

During the research period, a number of additional organisations reported that they were in the process of moving some or all of their 'voice' work back to the UK on the grounds of customer resistance to offshoring. In the interests of confidentiality, the identity of those organisations cannot be revealed in this report. At the same time it is important to emphasise that these findings relate to voice services only. Many of the organisations that do not offshore contact centre services or are re-shoring them indicated that they had relocated IT/software development and, in fewer cases, various back office activities.

A further aspect of the profile of the offshoring companies requires comment, namely the role played by companies that with global operations. As many as eleven of the companies with contact centre facilities in Scotland and which deliver services from overseas are not UK or Scottish-based organisations but operate as global companies with sites in multiple geographies. The locational decisions taken by these companies and the potential impact on employment levels might have a different dynamic from those 'indigenous' companies seeking to offshore. These are companies operating genuinely and fully within the global service delivery paradigm.

Several examples can be given. Teleperformance is perhaps the largest global call centre company, operating 255 centres in 49 countries (<http://www.teleperformance.com/en.aspx>) with 6,000 employees across 12 UK sites. In 2010, it acquired the Scottish provider, beCogent (<http://www.callcentrehelper.com/teleperformance-acquires-becogent-12318.htm>) and its four sites which employ 3,000. The fact that it has operations in a number of low-cost remote destinations does not mean that will be any shift of jobs from Scotland. It has acquired a

presence in Scotland as part of its global footprint remit, offering onshore and nearshore to clients. Scotland is part of its broader suite of offerings.

Equally significant are the global service provider companies, such as IBM, Sykes and Teletch that all have facilities in Scotland and which also operate as generalist service providers. At the same time, the possibility cannot be discounted that there are cases where these global service providers have sought and may seek to increase the volume of calls handled from overseas which may impact upon Scottish operations. Dell provides an example of such a circumstance. Dell's operations were established in Scotland in 2005, once again in pursuit of global service delivery within its in-house network. In 2009 it did lose 200-300 relatively transaction roles to its overseas centres, although this loss has been compensated for in the form of the inflow of more complex, upskilled jobs.

As noted in previous surveys, for some companies that have overseas operations, offshoring may affect only a part of their activities, a division or business stream. Thus, we cannot extrapolate the fact of offshoring in one part of the organisation to the company as a whole. It does not follow that because a company replied in the affirmative to the question whether it offshored, that organisation-wide implications follow from this.

In 2011, 32 companies with contact centres reported that they offshored contact centre services. It follows that the overwhelming majority of companies with contact centres do not offshore to India or other destinations. Seven organisations that had previously offshored services had now ceased to do so. Amongst those that offshored, companies in financial services were most common followed by telecoms and then third-party providers, both UK-based and multinational. As emphasised in previous audits, offshoring does not represent a commensurate 'threat' to Scotland's contact centre employment. In fact, since the last audit in 2008 there has been a discernible trend to the repatriation – or reshoring – of voice services back to the UK and, within that, Scotland.

This report confirms the trends predicted in 2003 and confirmed in 2008 that employment in the domestic industry would continue to expand despite many organisations' opportunity to expand their remote provision. Further, we note the presence in Scotland of global service companies, which have a different offshoring dynamic to indigenous companies. The facilities situated in Scotland complement those in other geographies as part of a strategy of global service delivery.

3.2 The Geographical Location of Offshored Services

With respect to the geographical location of these operations, India remains the most important overseas location; 27 companies with overseas operations report that they have centres there. In 2003, India was almost exclusively the only destination for offshored services and, by 2008, had continued to maintain this dominant presence. As in 2003 and 2008, the main Indian locations for these centres were Mumbai, Bangalore and the National Capital Region (NCR – Delhi and its environs) and also Hyderabad. However, we also note since the growing number of Indian cities in which contact centre facilities are now located grown. These new locations include Chennai, Pune and Kolkata.

What we have also seen since 2003 and 2008 is an expanded range of destination used by offshoring companies. Second in significance is the Philippines, which was reported by 13 companies as being home to remote facilities. The Philippines is an interesting case in that it has been established that it has outstripped India as a destination for contact centres services, although not for BPO more generally. While the Philippines mostly ‘faces’ customers in North America for reasons of linguistic and cultural compatibility, it is clear that there has been a growth in organisations with contact centres in Scotland/UK migrating services to, or providing capacity from this location.

Eastern European locations have also seen a modest increase; 6 companies report facilities in Hungary, 5 in Bulgaria and 4 each in the Czech Republic and Poland. South Africa is an interesting case in that in 2003 it represented the country that was likely to be nominated by companies as either the next destination or the one that they had considered as an alternative to India.

are each cited by two organisations each. Two organisations each also report South Africa and the Philippines, the latter being the second most important offshore location after India. Apropos of our discussion of the presence of global service delivery providers, we note that twelve organisations report that operate in multiple geographies.

India remains overwhelmingly the most important overseas destination for contact centre services; 27 of the 37 companies with overseas operations. The established locations of Mumbai, Bangalore, Delhi and its environs (NCR) and Hyderabad are still the most important centres but contact centres are now situated in many locations including Pune, Chennai and Kochi in an attempt to escape the labour shortages, rising costs and infrastructural strain of the so-called Tier 1 cities. Beyond India, the range of destinations has expanded considerably since 2003, with the Philippines, South Africa and Eastern Europe the most important.

3.3 The Relationship Between Company and the Offshoring Provision

As we have discussed in some detail a range of possible relationships exists between the UK/Scottish company undertaking offshoring and the nature of service provision in India and elsewhere. A recent academic study elaborates on the matrix of possible contractual relationships (Chakrabarty, 2006). At one extreme, there is the cluster of companies that have preferred to own and directly operate their overseas operations. These are effectively in-house operations and are known as ‘captives’. At the other extreme, there are those UK/Scottish companies that have outsourced to Indian third-party providers or to the global service companies that have facilities located in India and/or other overseas locations. Of course, both of these represent offshoring but in the latter case a more accurate term would be either offshore outsourcing or outsourced offshoring. At the same time we also noted that between these positions lies several positions that are neither strictly captive nor pure third-party arrangements. Companies have created joint ventures with Indian BPO organisations, developed Build-Operate-Transfer (B-O-T) models and other forms of partnerships.

We have data from 36 organisations with offshored service provision. Of these, the most common relationship was of organisations having in-house or ‘captive’ operations overseas. This was cited by 19 respondents. In this category, we include both UK/Scottish companies and global service providers which own and control their operations in India since the last survey. Ten organisations reported that they used third-party provider and three that they

engaged in forms of partnership or joint ventures. Finally one company reported that having been involved in a B-O-T arrangement they had a captive operation in India. One additional company had moved from a captive to a third-party. Finally, there was one case of a company both operating an in-house facility and using an outsourcer and another case of a company combining in-house operations with a joint venture.

A range of possible relationships exists between the offshoring organisations and the overseas service supplier. At one pole is the cluster of companies which own and directly control their operations, known as captives. At the other pole, are those UK/Scottish companies that have offshored and outsourced to third-party providers. Between these are several differing relationships, including joint ventures, partnerships and Build-Operate-Transfer. In practice, captive relationships were the most common, followed by third-party outsourcing and then partnerships and JVs.

3.4 The Nature of the Contact Centre Services Offshored

The evidence from the two previous audits (Taylor and Anderson, 2008; Taylor and Bain, 2003) demonstrated that the ‘voice’ services offshored consisted mainly of standardised callflows (see also Taylor and Bain, 2006: 165-8). In financial services, this involved the full range of banking inbound inquiries and in insurance the first notification of claims, basic underwriting, policy renewals and so on. Where greater complexity was involved it was a matter of *relative* complexity, sometimes involving IT helpdesk activity, and most callflows were at the simplified end of the spectrum. Organisations had additionally reported that more complex calls, which challenged the competencies of Indian call-handlers, would often be re-routed back to the UK. It was mass market services and not customised provision for higher valued customers that had been offshored. Thus, in understanding the nature of the contact centre services to have been offshored, it was necessary to grasp the strategic segmentation by of customer bases.

The evidence from the 2011 audit confirms earlier observations that it is the most standardised and transactional services that have been offshored. Several themes emerge from the data, which was supplied by 29 of the 32 offshoring companies (Box 3).

First, as we have acknowledged, back-office offshoring has been equally – if not more – important than the migration of voice services. Within this general trend several organisations reveal that their limited overseas contact centre provision is for internal customers and/or as a supplement to the back office.

Second, the activity in financial services is quite similar to that reported in 2008. In banking, inbound customer service and the full spectrum of basic functions are commonly provided. In insurance, the tendency similarly is for standard mass market calls, whether in claims, sales or renewals. With limited exceptions, organisations are reporting callflows of low or low to medium complexity.

Third, it is in telecoms that some of the most basic and standardised callflows are reported, across the full spectrum of activities including customer services, support, telesales, retentions and collections, the latter a common area of activity in India.

Fourth, as a general observation, it is in the area of technical help-desk activity that the most complex callflows are likely to be found. While these calls frequently follow tightly prescribed

protocols and algorithmic structures, they nevertheless involve a greater degree of decision making and agent discretion than the routinised customer service callflows prevailing in financial services, telecoms and, as the summary indicators in Box 4 demonstrate, delivered by multinational service providers.

Box 3: The types of voice services that have been offshored

‘A small amount of back office related voice’. (UK telecoms/mobile telephony)
‘All client services are inbound IT Outsourcing Service Desks/IT help Desks’. (Multinational service provider)
‘Back office claims activity. Non customer facing, does include inbound and outbound calls with other insurers and companies’. (UK financial services company)
‘Banking mass market, credit card’. (UK financial services company)
‘1st & 2nd line technical support for inbound calls’. (UK service provider)
‘Customer service administration work’. (UK insurance company)
‘Extension of our offices dealing with IT and ticketing’. (UK travel company)
‘Full complexity of services provided including inbound, outbound, technical support, collections, sales leads etc’. (Indian services provider)
‘Full IT support 24x7’. (US headquartered IT company)
‘Standard mass market, inbound calls’. (UK insurance company)
‘Inbound customer service’. (Global financial services company)
‘Inbound customer service and technical support’. (US headquartered global service provider)
‘Inbound fault calls, inbound customer care, outbound telesales’. (UK telecoms company)
‘Inbound first level support customer service and faults’. (UK telecoms company)
‘Inbound IT 1st and 2nd line support’. (Indian IT and BPO company)
‘Inbound sales and administration work’. (US headquartered hospitality company)
‘Inbound, outbound and customer service’. (UK recruitment company)
‘Inbound, outbound, customer service, tech support, supply chain, patient and volunteer recruitment’. (US headquartered pharmaceutical company)
‘Initially low complexity level work was offshored including inbound and customer service’. (US global service deliver company)
‘Low level call management’. (US headquartered business systems company)
‘Low to medium complexity, both inbound and outbound and back office processing’. (UK insurance company)
‘Low value in-bound customer services, answering mainly bill and priceplan queries’. (UK telecoms company)
‘Lower cost more transactional services’. (US headquartered, computer company)
‘Mumbai and Pune both do a full offering from customer services, technical support, telesales, retentions, collections’. (UK telecoms company)
‘Non-customer facing work in terms of voice, but emails, SMS have been where the customer needs to be updated’. (UK telecoms company)
‘A limited amount of non-complex voice work has gone abroad’. (UK telecoms company)
‘Substantially back office and limited internal voice work’. (UK financial services company)
‘The first stages of credit management, the basic aspects of billing’. (UK telecoms company)
‘Voice services for our IB book (low volume policies)’. (UK third-party offshorer with financial services specialism)

In summarising the evidence provided in this section, we note that there have been no major departures from the trends documented previously (Taylor and Bain, 2003; 2006; Taylor and Anderson, 2008). The dominant trend remains for companies to offshore some of the more standardised and transactional voice services, albeit that there has been some marginal increase in complexity. It is important to re-iterate our understanding of the process by which migration occurs. Typically companies rationalise, reorganise and re-engineer services in advance of, or

as part of decisions, to offshore. It might involve the slicing-off of services most likely to be offshored, which are the high-volume, standardised and least risk-laden processes. This is frequently referred to as ‘lift and shift’.

More commonly now the transfer overseas involves a continuous process of re-engineering prior to, during and following migration. Essentially, processes subject to relocation are recomposed or simplified so that they can more readily be transferred and any risk involved in their migration can be reduced. Fragmentation facilitates greater control over operations in the remote location and specifically over agents who are obliged to adhere to tight performance metrics and protocols. This underlying tendency to what might be termed ‘Taylorism through export’ helps explain why the bulk of the services to be offshored remains standardised.

Finally, the 2011 evidence confirms a principal conclusion of previous studies, that a segmentation of voice services according to customer value and call complexity was increasingly taking place. Even amongst the keenest offshorers there has been a tendency to retain core competencies and higher value added services in the UK/Scotland.

The 2011 audit confirms the findings of previous audits that offshoring involves some of the most standardised and transactional services, notwithstanding some marginal increase in complexity. This trend is evident in financial services where the full range of basic mass market functions are provided and in insurance where activities similarly are generally low or low-to-medium in terms of complexity. Telecoms demonstrates an even greater simplicity and standardisation. To the extent that callflows of higher complexity have been offshored, they often consist of technical/help desk activities.

More commonly offshoring involves process re-engineering, simplification and re-composition, prior to, during and/or following relocation in what might be termed ‘Taylorism through export’. The audit confirms a segmentation of voice services, by which more complex and value adding services are kept onshore while the most routinised are migrated. Multilingual services cannot be relocated to India and evidence suggests scalability problems elsewhere, including Eastern Europe.

3.5 The Impact of Offshoring on Employment Levels in Scotland

The offshoring of contact centre services from the UK and Scotland to India commenced in the autumn of 2002. Given that over the course of a decade the Scottish sector has grown from 56,000 to 90,000 employees, *ipso facto* it can be deduced that offshoring has had no net overall effect on employment in the Scottish sector. One of the themes of this and previous audits is that the domestic industry has expanded at the same times as offshoring has grown in importance. As the addressable market for offshored contact centres and BPO has grown, we have witnessed the simultaneous, but uneven, expansion of the Scottish/UK and overseas markets. However, it cannot be inferred from the overall growth of the Scottish sector in the face of offshoring that no negative consequences for employment have occurred at the level of the firm.

In the 2003 only two centres had experienced any significant reduction in headcount as a direct consequence of offshoring. In addition, when we examined companies’ intentions for expanding their overseas operations, it did not follow that there would be a decline in Scottish employment. Offshoring thus did not mean a zero sum game. Indeed, many firms with UK-

wide operations were choosing to maintain Scottish operations as key sites even when downsizing, job loss or closure was occurring in other parts of the UK. As evidenced in 2003, 2006 and 2008, Scotland had benefited in overall terms from organisations' UK-wide restructuring, where Scottish sites had demonstrated their cost and quality attractiveness relative to other parts of the UK. The evidence from the 2011 audit confirms these trends.

Thirty organisations provided data on the impact of offshoring on employment levels. Actual numbers were given by eight organisations. A UK media company cited the loss of 345 jobs, a UK third-party provider specialising in financial services reported that 300 jobs had been offshored, and a multinational service company reported that 200 jobs had been lost to India (out of a UK total of 400). The other organisation reporting a considerable impact on Scottish employment was a US-based captive computing firm, which stated that somewhere between 200 and 300 jobs had been transferred to India to the detriment of employment in its Scottish contact centre. Smaller 'lost' numbers were reported by a US business systems company (40 jobs), a US pharmaceuticals company (35 jobs), a UK recruitment company (20 jobs) and a US biotechnology firm (10 jobs).

Other companies reported some loss of jobs without specifying the number. These included a UK advertising firm, a UK telecoms firm that had lost jobs '5 years ago' but no more subsequently and another in the same sector reported similarly that numbers had been reduced 'a while back' but 'not recently'. Two financial sector companies, one UK-based and the other US-headquartered, reported lost jobs in the last two years without providing the detailed numbers. The UK company indicated that jobs were lost across the UK and those that were lost in Scotland had been on a pro-rata basis.

Other companies reported an impact on employment levels across the UK as a whole, but that there had been no negative consequences for Scotland. A senior manager from a prominent financial services company stated,

Arguably there was little impact on Glasgow directly as a result of offshoring because Glasgow was acknowledged under [the previous owner] and by the [new owner] as a strategic UK site.

The majority of companies with contact centres in Scotland that have offshored voice services reported that there had been 'no effect' or 'none' in answer to the question regarding the impact on employment levels. Eighteen companies gave these responses, including those which reported that their companies were undertaking 're-shoring' that might even lead to an increase in employment in Scotland. Two respondents articulated the positive employment benefits that could accrue to their companies as a consequence of global service delivery.

These opportunities are client driven and regarded as "rightshoring" opportunities. Those clients who are serviced from the UK but do not contractually require a UK delivery service can be moved to one of our "rightshore" locations and create the capacity within the UK centres for those that do contractually require UK delivery. *(European business service provider)*

No jobs have been lost or transferred to India. Quite the contrary, [the company] sees the future of UK customer interaction not in India, Egypt or the Philippines but staying in the UK where the customer is served best. Quality (Customer Satisfaction) is

invariably higher in UK based centres rather than overseas. (*Indian owned, domestic third-party provider*)

The growth of offshoring over the past decade has had no net negative impact to date on employment in Scotland’s contact centres. Offshoring has expanded at the same time as the domestic industry has grown as the addressable market for contact centres and BPO has grown. Nevertheless, differential impacts at firm level are evident. Seven firms gave precise figures of the number of jobs lost as a result of offshoring, four reporting losses running into 100s of jobs but the other three reporting far fewer losses. Others intimated job losses without being specific as to the number.

The most common response by offshoring organisations was to report no impact on Scottish employment. A minority actually emphasised the positive benefits that accrued to Scottish operations from the development of offshoring as a component part in global service delivery, notable the importance of the high quality of services delivered from the Scottish on-shore.

3.6 The Impact of Offshoring on Scottish Contact Centre Operations

In addition to asking about the impact on employment levels, a complementary question asked organisations to provide a more evaluative assessment on the impact on their Scottish operations. Of the 28 organisations to respond, 16 reported that there had been no impact. Twelve others provided summary comments which are displayed in Box 4.

Box 4: The impact of offshoring on Scottish contact centre operations

‘Due to small scale to date, impact low. By reducing back office activity, this will have increased customer contact’. (<i>UK Financial services – insurance</i>)
‘It has eased the pressure on the UK staff as backlog was reaching unmanageable levels’. (<i>UK Financial services – insurance</i>)
‘It has enabled us to deal with the meaty stuff in Glasgow, spending more time on 1-to-1s with the customers who we want to spend 1-to-1 time with’. (<i>UK Telecoms</i>)
‘It has had no detrimental effect. A bigger threat is now posed by having Scottish jobs lost to other UK based providers’. (<i>Indian owned domestic outsourcer</i>)
‘Loss of jobs later largely compensated by the growth of higher end roles, including higher quality customer support, premium lines where the customer pays’. (<i>US multinational computing firm</i>)
‘Reduced staff numbers but an increase in the complexity of the jobs on offer’. (<i>US Business systems</i>)
‘The job previously was called Customer Service and Policy Administrator. Admin tasks were offshored to India. Functions lost were more male dominated so the gender balance has changed’. (<i>Global financial services company European centre</i>)
‘There has been no effect on call centre, customer facing jobs, but many were lost in the back office. These were bulk transactional roles which frequently required simple and repetitive tasks. Offshoring has been the first port of call for these back office jobs, while those jobs needing customer experience and empathy have been kept onshore’. (<i>UK third party company specialising in financial services</i>)
‘There was a modest impact but that has lessened although the employment levels are likely to increase as the voice jobs return from India’. (<i>UK telecoms</i>)
‘UK staff relieved of basic tasks to concentrate on more complex underwriting’. (<i>UK financial services company – insurance</i>)
‘We have retained some processes onshore including voice but we see jobs being replaced as we can off a mix of onshore and offshore services’. (<i>European financial services and IT company</i>)

A number of common themes emerge from these comments. The most obvious is the fact that several managers report that offshoring has had the effect of reinforcing a segmentation, or

bifurcation by which more standardised callflows of lower complexity are situated in remote locations while more complex, demanding and higher value services are kept onshore, ‘the meaty stuff’ in the words of a manager of a UK telecoms company. Some organisations described how onshore call handlers had been freed up by the removal of services offshore. One additional insight was provided a senior manager of an Indian owned third party service provider. For this organisation the locus of competition for contracts was not so much India but the UK from outsourcers.

A majority of responding organisations indicated there had been no impact on their Scottish operations from offshoring. The most common theme to emerge from the evidence is that offshoring has reinforced a segmentation, by which more callflows of low complexity are situated overseas while more complex, demanding and higher value services are kept onshore, ‘the meaty stuff’ in the words of one manager. Some organisations described how onshore call handlers had been ‘freed up’ through the offshoring of standardised work.

3.7 Future Plans Regarding Offshoring

Organisations were also asked to provide information on their future plans regarding offshoring. As in previous audits, several organisations were unable to provide this data, often because of commercial confidentiality, but also due to market uncertainty and not knowing what their future plans might be. Nevertheless, insight was provided of potential developments by 17 of the offshoring companies.

Box 5: Future plans regarding offshoring

‘Bring back voice services’. (European owned financial services company)
‘Budapest, Cairo, India, Argentina, Sofia, Manila, Bucharest. New potential offshore locations are constantly being reviewed’. (US headquartered global business services and computing company)
‘Doubling capacity in the Philippines’ (US global contact centre provider)
‘Further offshoring is likely to be offset by the introduction of some high quality jobs’. (US business systems company)
‘Growth expected, nothing yet agreed. Customer voice pilot under consideration’. (UK financial services company – insurance division)
‘No plans to offshore any UK work’. (Indian owned outsourcer)
‘I am unsure of future plans’ (UK telecoms and entertainment company)
‘In its infancy so let's see what the situation is in 18-24 months’. (UK travel and holiday company)
‘Looking at putting service desk 1st line low technical back office repetitive functions offshore to Kuala Lumpur. (UK outsourcer)
‘Our strategic service model maximises self-service and one-stop service on the phone and we do not want to offshore direct customer contact’ (UK financial services company)
‘Potentially more of the same - inbound IT Outsourcing Service Desks/IT help Desks -in-house and exit in Poland, Roumania, India. (European headquartered multinational service provider)
‘Setting up centre in Hungary but this is part of the global company not offshoring’. (UK telecoms)
‘The company is balancing the cost benefits of offshoring against the IR/ER considerations which is a very sensitive process’. (UK telecoms company)
‘The return of call centre jobs from India’. (UK telecoms company)
‘This shall continue to be part of our Global strategy where it is appropriate’. (US headquartered contact centre company)
‘We anticipate growth within the contact centre but are not planning moving any other services out of Scotland’. (US headquartered pharmaceuticals company)
‘We will continue to offshore as long as cost advantages are available’. (European business systems company)

Several themes emerge from the diverse responses provided. First, insofar as one can generalise from the limited number of responses there does not appear to be any moves to increasing significantly the volume of contact centre work offshored. Of course, there are exceptions as, for example, the UK major financial services company that is embarking on an offshoring project for its insurance channel. Second, two companies (one with more than one business channel) reported that their plans involved re-shoring voice work although the timescale had not yet been fixed and was subject to negotiation and agreement with the union.

Third, where global service delivery was integral to company strategy, organisations reported doing more of the same, considering which geographical location might be most appropriate for a particular service. It was not a case of Scotland in direct competition with an overseas low-cost destination. Fourth, insofar as the companies' responses allow, we can conclude that future voice offshoring was likely to involve services of lower complexity and did not represent a rise up the value chain, despite the fact that such a growth in complexity might be experienced in parts of the relocated non-customer facing back office.

Data on future offshoring was limited for reasons of commercial confidentiality, market uncertainty and the absence of detailed highly plans. Insofar as it is possible to generalise from the limited data, it can be concluded that any significant increase in the volume of voice services to be offshored is highly unlikely and that, conversely, for a small number of firms re-shoring is certain. Third, for multinational providers the driver was not so much one to one offshoring to specific destinations but rather decisions were made according to the appropriateness of a geography and its attributes within the global service delivery paradigm.

3.8 Destinations Other Than India

In Section 3.2 above the expanded range of remote locations for offshored voice services was demonstrated. As a complement to this question, the survey asked organisations to indicate those destinations other than India that they had considered as a potential remote location. The data was limited but the countries/areas cited in order of frequency were the Philippines (4 respondents), Hungary (2), Poland (2), South Africa (2), Latin America (2), North Africa (1), Czech Republic (1) and Serbia (1). Several companies, additionally, stated that they would not consider any other country than India.

The destination other than India that had been most frequently considered as the location for voice services was the Philippines. This was followed by South Africa, Poland and Hungary and Latin America, while North Africa, the Czech Republic and Serbia were also cited. Several companies stated that they would not consider any country other than India.

3.9 Reasons Why Organisations Have Not Offshored

Responses were received from 145 companies. This was an open-ended question which produced diverse responses, sometimes including more than one reason. For ease of presentation we have grouped the responses together in broad categories according to the priority given by organisations as the principal reason. In reality, of course, many organisations

have not offshored for multiple, interrelated reasons as opposed to a single factor. Table 24 presents the responses organised according to the frequency of this categorisation.

Table 24: Reasons why organisations have not offshored (n=145)

	Number	%
Emergency services/public sector/local authority/carelines	55	37.9
Local service/local market/local knowledge	46	31.7
Not appropriate (scale etc)	45	31.0
Customer skills, quality or complexity of service, culture/language	37	25.5
Corporate strategy/doesn't fit	12	8.3
Client resistance/wishes of clients	10	6.9
Damage to brand	3	2.1
Personal experience of offshored service	2	1.4

The most common reason came from public sector organisations and charities (including local authorities and emergency services). Political reasons, the fact that these centres provide local services requiring considerable local knowledge, issues of scale and so on essentially prohibits the offshoring of voice services. The second largest category relates to organisations reporting that their operation was focused on local customers or knowledge in local markets. Of course, these reasons are not mutually exclusive. The third most common reason was given as 'not appropriate', a response that could issues of scale and the importance of meeting local needs.

The next most frequent category involved the related themes of the availability of customer skills in Scotland (compared to offshore locations), of the inability of India to deliver sufficient service quality or handle more complex calls and of difficulties relating to linguistic ability and cultural compatibility. Some respondents explicitly stated that offshoring was not part of the company's corporate strategy. In related manner, a number of outsourcers indicated that they did not offshore because this was not required by clients and customers. For outsourcers, sensitivity to client demand is the key imperative.

Finally, although related to the question of quality of customer service, three organisations reported that they were opposed to offshoring because of damage to brand. Two organisations stated that they did not and would not offshore because of their negative experiences. Further insight into the diverse and often multiple reasons given by organisations for not offshoring can be seen in some of these illustrative responses (Box 8).

Box 8: Selected reasons given by organisations for not offshoring

'A number of years ago we dipped our toe in offshoring. We set up a pilot project in India but we quickly reversed that decision when we discovered some of the language and cultural problems. The problem wasn't that the Indian people were not skilled, they were, but they were not attuned to our customers, especially when it involved selling them policies'. (UK financial services company – insurance)
'As per previously, our service is very local therefore keeping the contact centre local is also important to us'. (Scottish travel company)
'The previous owner did not offshore as clients wished to have on-shore delivery. We have no plans to offshore its UK provided services to South Africa'. (Indian owned third party provider)
'British company with British heritage who top our industry on service. Too high a strategic risk to offshore'. (UK utilities company)
'Business customers do not get offshored as they are high value'. (UK telecoms company)
'Charity service could not be offshored for diverse reasons'. (Charity helpline)
'Dealing with complaints involves complex responses which cannot effectively be delivered from India.

The processes in India are black and white and agents do not typically deviate from tight scripts and/or procedures'. (UK telecoms company)
'Does not fit in with the culture of the company and the importance of the local customer base'. (UK specialist financial services company)
'As a company, we have serious doubts over the quality of service provided and customer perceptions servicing from India. Our concerns are based upon our experiences as we did have a centre in India, but it was not a success. There were language problems but the main difficulty was that the CSRs could not really move away from a script. They could not engage with the customer in the way that we needed'. (UK financial services company – insurance)
'Due to kind of work we do, situations can rapidly change, and we would not have the level of control we require through off short outsourcing'. (UK marketing company)
'In the case of 999s, there is a Home Office agreement. There are also Data Protection issues involved and there is no Data Protection legislation in India' (UK telecoms Directory Enquiries)
'It would be very difficult if not impossible for our business to be offshored to a remote destination. The level of complexity involved would cause problems for agents who are accustomed to making scripted responses and dealing with transactional queries'. (UK financial services – debt management company)
'Language and cultural difficulties have encouraged the return of call centre jobs from India'. (UK telecoms company)
'Not an option to offshore anything else because of quality concerns. No customer facing services have been offshored, not even emails or letters which are all UK-based. Experience is that quality of processing is good but quality of language provision is not so good. Would take a major shift within the organisation for that to happen'. (European financial service company)
'Not appropriate for the nature of the business and the fact that we serve local markets' (UK food distribution)
'Offshoring is not an option given the premium placed upon customer service' (UK retail company)
'Offshoring would not work for us. Our parent company in the United States previously did offshore voice services but brought them back to because the experience was unsuccessful'. (US commercial property company)
'Our clients come to us for a reason and that is to deliver effective services in the home market. There are important administrative and regulatory reasons why services are provided on-shore'. (UK financial services – mortgages)
'Our strategic service model maximises self-service and one-stop service on the phone and we do not want to offshore direct customer contact' (UK/Scottish financial services company – insurance)
'Really hope to retain presence in area/Scotland because important to have CC here and provides local employment. Also, a lot of skilled staff'. (UK government agency)
'Regulatory reasons. Damage to brand. Communication and misunderstanding'. (UK financial services company – stockbroking)
'The feedback from [another business channel in the company] was not that positive so that affected us and our decision. Also there has been union opposition to offshoring which we have had to take account of'. (UK telecoms company)
'The rationale for the decision not to offshore probably lies most in the fact of the business channel that we serve - business clients who pay for the service. The politics of the customer segment have been important in influencing this decision'. (UK telecoms company)
'There is no reason for us to offshore. It is not appropriate for our business and I can think of a raft of reasons why not to. The company owner is fully committed to the locality and to creating employment in Glasgow. Also, the nature of the business means that customer contact cannot be offshored. We are not dealing with products but with physical problems. How would a call handler in India understand a problem in a book shop, for example? (UK/Scottish facilities management company)
'Voice has not been offshored because customers are no different in this business - they do not want their calls to be offshored even though the quality of the calls might be just the same'. (UK third party outsourcer specialising in financial services)
'We are an outsourced provider with considerable expertise in providing multi-language coverage over a wide range of languages. This is likely to prove difficult with offshoring'. (US entertainment company)

‘We do continue looking at this as an option. However, currently the reverse takes place: Indian BPOs are outsourcing to us’. (*UK market research company*)

‘We have no interest or inclination in doing so. Our professional qualifications are in English but more important is the fact that the nature of the work is quite complex and it is difficult to see how it could be successfully offshored’. (*UK professional body*)

‘We value very highly indeed the quality of customer contact that is provided from Glasgow and would not want to jeopardise that in any way’. (*UK telecoms company*)

Firstly, public sector organisations indicate that offshoring is inappropriate, politically sensitive and/or is prevented by the need to provide local or emergency services. Second are companies for whom offshoring is considered inappropriate because of their focus on local market or customers or the need for local knowledge. Third, a swathe of organisations report that offshoring is not appropriate, an objection often related to the small scale of operations.

The next most frequent responses relate to company perceptions that service quality from remote locations are lacking in quality and that problems exist in handling more complex calls. Difficulties are compounded by problems rooted in linguistic and cultural difference.

Several companies report that offshoring does not fit with their strategic priorities. More specifically, many outsourcers report that they have not offshored to India and elsewhere because their clients and customers require onshore provision and do not want services on their behalf to be conducted overseas.

A small number reported that they did not offshore because remote delivery would lead to damage to brand. Finally, two companies report that they do not currently offshore because of unfavourable experiences when they previously did offshore.

3.10 Pilot Projects Considered

Respondents were asked whether they had undertaken pilot experiments in India, even though they were not currently engaged in offshoring. Ten organisations report that they had run pilots, four of them in financial services. In two cases, the pilots had become full-scale operations, but services had been terminated in India as services were re-shored. Three were telecoms companies and two were outsourcers.

Ten organisations report that they had conducted pilots abroad (in India). In two cases, both financial services companies, these pilots had led to full-scale projects but these subsequently had been terminated and the services re-shored.

3.11 Perceived Advantages of Offshoring

Two complementary questions were included asking respondents to report on the perceived advantages and disadvantages of offshoring. These were open questions allowing respondents to give three answers for each question. The same method has been adopted as in previous questions in that we have collated similar responses for purposes of comparison and analysis. In total, 203 different responses were received from 125 managers.

Table 25: Perceived advantages of offshoring (n=125)

	No.	%
Lower costs/labour costs/cheaper	75	62.5
Quality of staff/skills of workforce/work ethic	43	35.8
None	23	19.2
Availability of labour/access to resource	22	18.3
Out of hours/extended customer service	16	13.3
Flexibility of staff in India	8	6.7
Complex work at home, standardised work offshore	8	6.7
Part of global strategy	4	3.3
Infrastructure	4	3.3

(Percentages are of the 125 respondents)

In Table 25 we present the aggregated responses of the perceived advantages of offshoring. The results should be regarded as indicative rather than as a definitive analysis. The table reflects the perceptions of senior managers' who have an intimate knowledge of offshoring, of the migratory process and of the dynamics of the market in India alongside. At the same time perceptions were given by 'outsider' managers, by those without direct experience of offshoring. Despite these limitations the data provides insight into the perceptions of managers and the collective understanding that has emerged within the contact centre sector.

Unsurprisingly, the most frequently perceived advantage of offshoring relates to cost savings. No fewer than 62.5 per cent of respondents reported cost reduction as the principal advantage. While many organisations mentioned cost in general terms, a substantial number indicated that the advantage lay specifically in reduced labour costs. A few organisations suggested that while the cost differential as still significant, this difference had reduced over time.

It is difficult to separate out the perceptions regarding labour cost savings from other qualities of labour. Organisations see the advantage of offshoring as lying in cheaper labour *plus* the skills and quality of the workforce in India, including the English-speaking capability. Almost 36 per cent of respondents perceive the quality of skills of the workforce in India and elsewhere as being a significant advantage. Closely related to this is the 18.3 per cent who perceive the availability of labour, access to human resources, as being a perceived advantage. Additionally, we note the 6.7 per cent of respondents who cited the flexibility of staff in remote locations as an advantage.

Around 1 in 8 of respondents report that one of the advantages of offshoring to India was the temporal flexibility that offshoring organisations can realise. This advantage may be from being able to provide customers with extended hours of service, the provision of out of hours calls and so on. A further 6.7 per cent report, without being specific, on the benefits of the 'flexibility of staff' in India.

Eight respondents emphasised the importance of the segmentation of service provision, as reported above. In other words, offshoring enabled the some of the more complex and customer sensitive services to be delivered onshore, separated off from the more standardised and routinised tasks which can be delivered satisfactorily from an offshore location.

In summary, the ability to reduce costs is the principal perceived advantage of offshoring. However, other factors complement this fundamental reason. Cost advantage and labour arbitrage by themselves would be meaningless without the perceived qualities and availability

of human resources in India; educated agents with English speaking skills, work ethic and so on. At the same time, a number of respondents suggested that the cost advantage has been eroded. A final observation concerns the fact that one in five of those responding answered 'none' indicating that they believed that offshoring was wholly disadvantageous whether for their own organisation or more generally.

Unsurprisingly, the most frequently perceived advantage of offshoring relates to cost savings, specifically labour costs savings, even though some organisations indicated that cost savings had declined over time. This reason for offshoring is complemented by other perceived advantages - the skills, qualities, work ethic and availability of the human resources. Offshoring was also perceived to extend the hours of customer service. Finally, offshoring enabled some of the more complex and customer-sensitive services to be delivered onshore through the ability to strip out and relocate overseas some of the more standardised processes.

3.12 Perceived Disadvantages of Offshoring

Senior managers were asked to state what they perceived to be the disadvantages of offshoring. The same approach to categorising answers as in 3.11 was employed. The responses are presented in Table 26.

Table 26: Perceived disadvantages of offshoring (n=119)

	No.	%
Accents/language/communication/understanding/empathy	75	63.0
Customer perception/resistance	45	37.8
Remoteness/distance/problems of management control	35	29.4
Loss of local knowledge	28	23.5
Damage to brand/reputation	20	16.8
Can't go beyond scripting/can't deliver complexity/hands-off/bounce back	19	16.0
Reduced savings/rising costs	6	5.0
Attrition in India	4	5.0
Impact on jobs/business in Scotland/UK	4	3.4
Morale in Scotland	2	2.5

(Percentages are of the 119 respondents)

The most frequently cited disadvantage (by 63 per cent of respondents) relates to the experience or perceptions of difficulties in relation to language, accents and dialects of overseas (principally Indian) agents and, relatedly, the more general problems of communication and understanding. These were also the most commonly reported problems in both the 2003 and 2008 audits and lies at the very core of voice services. As several respondents pointed out then and now, it does not matter that the labour and overall costs are cheaper in India, if there are difficulties with linguistic and cultural understanding and communication, then it damages the offshoring proposition as a whole.

Even when formal language skills are seen to be highly developed, they may not translate into an ability to deliver service quality, a perception and experience that was expressed by this senior manager of financial services company that, incidentally, is re-shoring voice services.

The skill base in Mumbai is highly educated. People have a real talent for the English language, but this does not necessarily mean that their skills and abilities are appropriate for the roles that they occupy. I am talking about empathy and

understanding and problems when people in India have to go off script and really engage with the customer. Delivery is too inflexible and it can leave the customer feeling frustrated.

As observed previously, offshoring has come a long way since the early days of offshoring when the linguistic capability of Indian agents was regarded as essentially non-problematic. The supposition was that there was an inexhaustible supply of English-educated graduates who, with suitable training, could bridge any limited linguistic or cultural gaps. Wider knowledge of the operational realities in India has challenged impressionistic view. It is clear that doubts over language, communication and understanding have grown over time. In 2003, only 21 per cent of organisations perceived linguistic issues to be a disadvantage (Taylor and Bain, 2003: 68), compared to 41 per cent in 2008 (Taylor and Anderson, 2008)

The second category of response relates to managers' understanding that offshoring has led to customer resistance and opposition. Reported by 37.8 per cent of respondents, this disadvantage is obviously related to the most frequently reported linguistic and cultural difficulties. Evidently, customer hostility has deepened over time as comparisons with the data from our 2003 audit indicate. For some the problem lay in the failure to be able to replicate the servicing culture overseas. Others emphasised the loss of tacit knowledge that occurs following the transfer of voice activities.

The third most commonly reported disadvantages relate to the difficulties for management in Scotland/UK of exercising control over remote operations. Almost three in ten respondents (29.4 per cent) reported this general difficulty. This problem was reported to perhaps an even greater extent in 2008. As demonstrated (Taylor, 2010b), companies have attempted to exercise control over remote operations through tightly specified forms of governance, in particular Service Level Agreements (SLAs). Although organisations now have a greater experience of using such control mechanisms, evidently they are not universally effective, especially in conditions of inexperienced or ineffective management in remote operations.

Many categories of responses overlap, so that customer opposition cannot be separated from problems experienced through loss of local knowledge (23.5 per cent of respondents) or the belief that offshoring damages company brand (16.8 per cent of respondents). Included in this category are the responses of offshorers who report client opposition on the grounds that this would inflict reputational damage.

The next most frequently cited disadvantage is worthy of comment since it reveals a general limitation. As many as 16 per cent reported that call-handlers in remote locations were unable to interact with customers to any degree of complexity. Frequently, respondents related this weakness to the inability of agents in India to deviate from their prescribed scripts. In turn, this inability could lead to the escalation of calls, which were bounced back in a 'hands-off' back to Scotland/UK.

Complementing this quasi-quantitative evidence are insights derived from the summary comments provided by the manager respondents.

Box 9: Selected disadvantages

'Loss of control over quality at this remote distance (although our experience of Indian research agencies is that quality control protocols are some of the best in the world. (UK market research company)

‘Many companies are in India chasing the same limited labour pool which leads to and fuels attrition’, <i>(US computing company)</i>
‘It is better to have face to face supervision rather than trying to control the quality remotely’. <i>(UK third-party outsourcer)</i>
‘Potential lack of understanding by call handlers of the subject-matter being dealt with because removed from the immediate context’. <i>(Government agency)</i>
‘The process driven nature of activities and inflexibility means that India does not lend itself to complex customer interaction’. <i>(UK telecoms company)</i>
‘Fragmentation of process as they cannot do the voice part of the interaction, breaks the chain’. <i>(UK telecoms company)</i>
‘Distance from customer base, so that deep local knowledge does not readily transfer’. <i>(UK facilities management company)</i>
‘Attrition is a big and persistent problem’. <i>(European financial services company)</i>
‘The skill set can be inflexible and not appropriate for the complexities of interaction with customers’ <i>(UK financial services debt management)</i>
‘Customer experience is not all that it should be because of the language and the skill set’. <i>(US computing company)</i>
‘Scripted responses to common problems only, limited call escalation opportunities’. <i>(Government agency)</i>
‘Quality can suffer if management control measures are not put in place to overcome the problem of distance’. <i>(US headquartered global third party service company)</i>
‘Communication difficulties mean that there are problems in adapting to the specific needs of customers’. <i>(UK retail company)</i>
‘Hands off points. There are parts of the process that have to be completed back in the UK so this hands off lengthens the hands off process’. <i>(UK third party outsourcer)</i>
‘Dialects are still a problem both from the perspective of understanding customers and from that of being understood by customers’. <i>(UK telecoms company)</i>

To repeat, a principal theme of previous research has been that the services migrated overseas have been largely transactional. The reasons why this trend became established related to the need to realise economies of scale, but also were bound up with doubts regarding the ability of call-handlers to provide more complex services involving customised interaction. The evidence here confirms that remote servicing generally is largely inappropriate for anything other than the more standardised services.

Labour supply problems and labour market overheating in the established locations in India have fuelled employee turnover in BPO companies. (See Taylor and Bain, 2006: 84-102). Turnover rose throughout the 2000s as the industry grew, labour markets tightened in the Tier 1 cities and the graduate professionals hopped from one job to another for a ‘few dollars more’. Different factors - long hours, nocturnal shifts, travelling times and demanding work - combined to induce ‘exit’ decisions. This author’s detailed research has estimated annual *average* attrition in BPO at 65-75 per cent in 2006. One outcome of global economic crisis in 2008 and the slowdown in BPO was to reduce attrition. Given diminished job opportunities, employees and front-line and middle managers were now likely to ‘keep their heads down’. However, when demand revived in late-2009 and early-2010 and jobs were created, employees regained some confidence and exploited the improving labour markets. By mid-2011, attrition had returned as a concern, as indicated by the Indian Chamber of Commerce demonstrated.

<http://www.indianexpress.com/news/talent-crunch-attrition-may-put-india-behind/776166/>

A layer of organisations clearly now believe that cost reduction have been eroded. Six respondents reported as a disadvantage the fact of reduced margins or higher costs.

The most frequently cited disadvantage relates to the experience or perceptions of difficulties in relation to language, accents and dialects of overseas (principally Indian) agents and problems of communication and mutual understanding. These problems lie at the very core of voice provision. Even though call-handlers might have advanced formal language skills, these do not necessarily translate into an ability to engage with customer with sufficient empathy.

The second most commonly reported disadvantages relate to customer resistance and opposition. Such disadvantages are clearly connected to the linguistic and cultural difficulties. Evidently, customer opposition has deepened over time. For some the problem lay in the failure to replicate overseas the servicing culture. Others emphasised the loss of local and tacit knowledge following the transfer of voice activities. As with previous audits, respondents also report difficulties in exercising control over remote, offshored operations.

Several emphasised a general problems that has emerged from the experience of offshoring, that call-handlers could not interact with customers with any degree of complexity. Respondents related this weakness to agents' inability to deviate from scripts. In turn, this could lead to the escalation of calls back to Scotland/UK.

A number of respondents reported that the cost advantages from offshoring have been eroded. Rising costs have been connected to the longer term problem of attrition. Even though rates of labour turnover declined significantly following global financial crisis, the recent return of attrition in tightening labour markets has led to it being cited as a disadvantage by a number of respondents.

Section 4: Comments

4.1 Themes from the Comments

As with previous audits, the pro forma includes an open question asking respondents to reflect on any aspect of the operations of their contact centre or on the industry in general. As can be seen from the selection of the comments below the subjects raised were diverse and, within the same quote, respondents would often raise a number of matters. Nevertheless, certain distinct themes emerge from the selected comments and are discussed below.

4.1.1 Growth, Recruitment and Benefits for Scotland

The quotes below are representative of those organisations provide upbeat comments on the state of the sector in Scotland and on the prospects specifically for their company. As indicated in Section 2.3, net growth has occurred since 2008, with some existing centres expanding quite significantly as illustrated by the first comment below. Despite the sector's maturity and the fact that the contact centre model has now been adopted by the majority of organisations that could do so, new businesses are still being established that have contact centre operations. Some of these start-ups will become sizable operations, as indicated by the last comment, which has of course been anonymised. The remaining three comments emphasise other positive aspects of the Scottish contact centre sector. These senior managers reflected on job opportunities, the positive impact contact centres are making on communities across Scotland and the high quality of available skills in local labour markets across the country.

Box 10: Comments – growth, recruitment and available skills

‘Since the takeover by [global contact centre provider] the company has been undergoing a rebranding and repositioning. There has been considerable growth with expansion of 500+ employees in [two locations]. There has been no real difficulty in recruiting. There are initiatives at local sites including recruitment open days and pre-employment training courses involving people on job seekers allowance for which the company receives subsidies. We hope that some of the people who join can stay with the company and that they absorb company values and skills. Attrition is higher in Glasgow because there are more job opportunities whereas in say some of our other town locations there are local labour markets’. (*European owned third-party outsourcer*)

‘The contact centre sector is healthy. The workforce is excellent and we have had no difficulty at all in trying to recruit’. (*UK financial service company – mortgages*)

‘I think it the contact centre industry provides a fantastic opportunity for individuals to utilise life skills. The industry is good for communities all over Scotland. There is a fabulous wealth of talent and the industry has the capacity to constantly hone skills’. (*UK telecoms company*)

‘There is a good market for recruitment in Glasgow, given the numbers of Universities in Glasgow and Central Scotland. There is a constant flow of high quality graduates, many of who choose to stay in Scotland and do not move south. It is good for us to tap into this supply’. (*UK financial services company*)

‘[Our company] is establishing a full banking operation, building it from the bottom up. This will include mortgages, retail banking, sales and so on. By October 2011 there should be at least a couple of hundred of people in place’. (*UK financial services company*)

4.1.2 Upskilling and Training

These two comments continue the positive theme about skills within the sector. Both indicate that in some companies there has been upgrading of skills and continuous training is now required to ensure that the more complex demands of customers can be met.

Box 11: Upskilling and training

‘Can't give enough training to people. Continually offer refresher training - identify where they may be struggling. 90% of call dealt with at first point of contact and as services come on need to become even more multi-skilled. Need to move away from days when call centre staff were regarded as glorified switchboard operators. Skilled job and customer satisfaction levels high because staff are so skilled’. (*Local authority*)

‘We have moved up the skill ladder and are now a high skill operation. Outbound work is particularly challenging and cannot be offshored as it requires engaging with the customer. It also need a great deal of resilience. The perception of working in a call centre starting to improve as the PR gets better. There are certainly opportunities now for development’. (*Government agency*)

4.1.3 Effects of Austerity and Recession – Intensification and Rationalisation

Section 2.24 above presented a full account of the impact of economic crisis and recession and of organisations’ responses at both company and centre level. In this final section inviting comments on any aspect of the sector - or their company – respondents provide further insight into the effects of responses to economic recession.

Box 12: Effects of austerity and recession – intensification and rationalisation

‘Been very, very difficult for staff. Really hard time in terms of uncertainty and increase in workload. 7 of our staff work 24/7 rolling shifts and last night they had to deal with 1600 calls because of the weather. Need to learn more because we are taking on more services and have had to write more scripts to help staff deal with it. No time for the training they really need. Shared services agenda well on way and with it big changes. Staff undertake ICS qualifications’. (*Local authority*)

‘Large increase in volume of work and small increase in staff. Efficiency savings mean that CC takes on more and more front-line services. More generally, aware that [named local authority] collaborating with neighbouring councils re: shared services, including police, NHS, Fire & Rescue’. (*Local authority*)

‘Previously did a lot of work for Scottish banks. Now headcount has been reduced and efficiencies have been driven through’. (*UK third-party outsourcer*)

‘Same percentage of staff as 2008, roughly, i.e. 7% are qualified nurses. Nurses are harder to recruit than other contact centre staff. Some staff maybe want to leave but because we offer 24/7 service and pay additional hours payment they cannot find same money elsewhere. Little opportunities for upwards progression within the contact centre and that is increasingly the case with more lean working’. (*Health sector*)

‘Moving to [new site] in March 2012. Staff will double as of 1 April this year because revenues and benefits will become part of the CCs. Key things are recession made things more difficult for people but there are opportunities for a contact centre such as our to take on non-council services. We are already an outsource provider for other local authorities and the [named] Review shows that there are opportunities in terms of shared services. In terms of qualification, some staff are doing the Customer Service Professional Certificate’. (*Local authority*)

‘Big push to work smarter and some of developments [named authorities] may be replicated across other areas. Not big push here yet but may go back to regional-based provision’. (*Local authority*)

‘There has been some contraction in the headcount as a result of the falling demand due to broader recessionary effects’. (*UK media company*)

‘Our staff reduced significantly because of premature withdrawal of government funding for energy-efficient materials’. (*UK energy and insulation company*)

‘Will be merging with [named local authority] soon so a lot up in the air just now. Move is partly driven by economic downturn and resultant efficiency savings but also partly political. Don't feel that the general drive to centralise contact services by local authorities is good. Repairs section quite specialist and therefore requires a lot of liaison with operations department and merger not for best. Heard that one local authorities and actually demerged repairs because it just wasn't working. A lot of work in CC

is seasonal and this winter call volume increased dramatically with bad weather'. (*Local authority*)

Firstly, there is additional comment on downsizing and headcount reduction. Second, there are several indications that the difficult economic environment has led to increased workloads, intensification of work on the part of CSRs as forms of lean working and for efficiency savings have been implemented. A third notable theme to emerge is within the public sector and, more specifically, local authorities. Significant moves have been made to rationalising services which, in some cases, has meant collaboration across authorities, the sharing of services and other organisational moves to creative synergies with can realise efficiencies.

4.1.4 Offshoring and Onshoring – India and Scotland

It is interesting, and perhaps significant, that the most frequently volunteered comment is in the theme of offshoring and the contrast in the quality of service provision between India and Scotland. On the basis of their own direct experience or knowledge of offshoring more generally several discussed the problems that have arisen in India and in one instance cited here, the Philippines. As a consequence of these difficulties, and the problems UK organisations have experienced in attempting to regulate the quality of service provision from remote locations through SLA governance, the re-shoring of voice services has occurred.

In contrast, respondents highlighted the positive benefits of onshore delivery, particularly the quality of service delivery in Scotland and the skills of the sector's agents, which deliver excellent customer feedback and satisfaction. Some respondents focused on the complementarity of different 'shores' of delivery within the global sourcing paradigm.

Box 13: Offshoring and Onshoring – India and Scotland

'Controlling operations abroad from here definitely throws up some significant difficulties. Governance and quality are problems which are not necessarily solved by the SLAs which can complicate processes. You have onshore SLAs and offshore SLAs. Call centre services are being repatriated from India to Scotland. Scotland's contact centre industry has demonstrated its resilience in recent years because of the quality of the customer service and call handling skills as well as the fact that it is still a very cost efficient location'. (*UK financial services third-party specialist*)

'From experience of the industry the quality of the service delivered from India can be quite poor. The responses to queries are often shoddy. It is no surprise to me that call centre services are being brought back to Britain. Big companies - especially financial services companies - relocated a lot of work but it has not been that successful and they have lost customers as a result of the poor customer service'. (*UK financial services – debt management*)

'[Named company] is trying to improve its customer service experience and to recover from some of the damage to the brand as a result of offshoring. The company began to move work back from India soon after the [the company's] takeover. A few weeks ago the company made a further announcement that they would bring all the voice processes back. The contact centre industry in Scotland is in a healthy state. The greatest strength the industry has is in the skill of the agents. Customer feedback consistently shows the importance of Glasgow accents and the qualities of agents' communication with customers. Glasgow gets higher customer satisfaction scores over and over again. If I can be specific the real strength lies in Glasgow rather than Scotland in general. The evidence is that Glasgow is the most successful location. Consider the major companies that have made significant decisions to locate facilities in Glasgow - Vertex, John Lewis, Tesco Personal Finance. All are relatively recent decisions which show that Glasgow's local labour market has particular strengths'. (*Financial services company*)

'Scotland is undersold as a destination for high quality services. In terms of the balance between revenue and costs Scotland has an enormous amount to offer. It is not proposed that Scotland can or should compete solely on grounds of bottom line cost but the quality and value elements are very important parts of the matrix. In terms of what India and Scotland provide in relation to each other there

is an underlying cohesion and complementarity'. (US headquartered global computing company)
'[Named company] are increasingly able to offer clients a combination of onshore and offshore provision. Clients want to know that there onshore provision on the grounds of quality. Cultural awareness from the service delivery location is very important. There is a tendency for people in Manila to say 'yes, yes, yes' and that can create problems. The cultural differences are important which is why we put in place managers from the home countries to help overcome them. Generally, the issue of cultural fit means that people in the Philippines cannot deal with the more complex and detailed aspects of customer interaction'. (US headquartered global contact centre provider)
'The experiences of offshoring across the company are uneven, in fact not that positive. There is a fair amount of bounce back and escalation when calls cannot be resolved in India. Several of the [company] sites in Scotland are strategic sites because they have been successful for the organisation'. (UK telecoms company)
'The operation is half owned by [named] Corporation. The MD claims that they are more an insourcer than an outsourcer. The Glasgow operation is essentially the head office for the EMEA activities. While customer contact does take place from Glasgow, the bulk of the contact centre activities [named company] provides are delivered down south. There are definitely problems with offshoring voice in that you can end up with scripted and inflexible responses'.
'I can cite the example of [named telecoms company that offshored broadband customer service] and the case of the phone that melted in its holder so that it was welded. The Indian agent asked several times for the phone to be taken out and replaced, not seeming to understand what was being said but really stuck on the script. It took 30 minutes of requests before the call was escalated to a supervisor before being bounced back to the UK. This is a common problem that raised the issue of India's inability to go off <i>piste</i> as it were and deal with the more complex queries.
We want to create a suite of customer service solutions. We would not wish to do a JV with an Indian or global company in Scotland. Conversely, we might be looking at doing a JV in India'. (US automotive-business systems company)
'The removal of the simpler stages of the credit management process means that our agents in Glasgow are able to spend more time in Glasgow making sure that the business customers pay their debts'.(UK telecoms company)
'We do the initial diagnostics and take ownership of the call. If we cannot solve the problem remotely then we liaise with the van engineers. We remain the single point of contact for the customer. No recruitment issues with regard to skill sets. Problems with [named telecoms company retail operation] voice in India'. (UK telecoms company)
'Offshoring is a mixed blessing. I have had experience of it in my previous role in a big financial services company. It was not that successful in my experience and it is not a surprise to me that call centre work is being brought back to Britain'. (Professional body)

4.1.5 Homeshoring

While the development of homeshoring is not reported by organisations as happening to any significant extent throughout the audit, two respondents commented on its emergence here. Both of these companies clearly utilise this sourcing strategy quite extensively.

Previous interest in homeshoring was stimulated largely by organisations' need to tap into new sources of available and high skilled labour, often in circumstances of labour shortages and high levels of attrition. Homeshoring seemed to promise a supply of committed and flexible labour that avoided some of the difficulties generated by tight labour markets.

In a changed labour market context, in which organisations are reporting no real difficulties in recruiting skilled employees, it is interesting to speculate whether this has lessened

organisations' interest in homeshoring. It is suggested that such a line of inquiry is pursued more fully in the next audit.

Box 14: Homeshoring

‘Approximately half of our customer-facing agents are using technology that allows them to work and train at home on a permanent basis. This is mostly where people reside in the central belt of Scotland but we also allow staff to work when they are taking extended breaks to visit family in Europe or need to relocate to another part of the country’. *(US headquartered hotel and hospitality company)*

‘We are a virtual call centre. We are an appointment reminder service and use Kronos. We use recorded messages, text messaging, emails - all staff are home based. They log in using the Kronos system which is the basis for their payment. They get paid per call according to session and wrap up time. Staff have to register for 3 2-hour slots per week. The type of people who work are stay at home parents, retired people or semi-retired, a massive variety, all over the UK but 20 per cent based in Scotland’. *(UK business services outsourcing company)*

4.1.6 Technology and Automation

Following the detailed evidence presented in Section 2.24 on automation and new technologies that are being applied in order to effect further the transition from the pure voice call centre to the multi-channel contact centre, two organisations presented additional insight on matters of technology and automation.

Box 15: Technology and automation

‘There is too high a reliance on IVRs in the call centre industry. There are too many steps for the customer to take before they get to speak to a live person. By the time many customers get through to an agent they are distressed which can lead to problems. The drive on CHTs is a problem because it means that quality can end up being compromised. At the same time the drive on CHTs and targets puts pressure on agents and as far my experience is concerned contributes to attrition’. *(UK telecoms company)*

‘Without question automation is going to increase going forward. Companies in the sector benchmark always on quality, but there is also an obsession with costs and hammering the cost base. Driving through efficiencies, ramping up productivity are part of the equation but self-service is a bit of a holy grail. Can we do it and keep customers happy? How is everyone else doing it? Investing in the technology is important, training people up. There will always be phones and humans conversing, but the mix will be different’. *(UK financial service company)*

Section 5: Conclusions

5.1 Introduction

As noted in the introduction call or contact centres have become an increasingly important area of economic activity in the Scottish economy over the last two decades. Previous research (Taylor and Bain, 1997; 2000; 2003; 2006) had provided sound empirical evidence of the remarkable development of the ‘sector’ which, by 2008, was responsible for a workforce of 86,000. This previous audit in 2008 demonstrated unequivocally that the Scottish contact centre sector was in rude health.

Not only were indigenous third-party providers growing in size and significance, but Scotland was increasingly attracting investment from multinational service companies keen to locate facilities and deliver services in the country as part of their global sourcing strategy. At the same time, the 2008 audit confirmed a vibrant diversity, by which contact centres had spread far beyond their initial heartlands in the financial services industry, telecoms, utilities, media and entertainment and IT/computing to be embraced by almost all industry verticals which required interactive customer servicing.

The 2008 audit provided detailed evidence of the sector’s locational significance. Most notably, 1 in 10 of employed workers in Glasgow worked in a contact centre. Beyond Scotland’s central belt, where the bulk of employment was concentrated, contact centres were now to be found throughout Scotland, impacting on all kinds of community. For example, in the Highlands and Islands they had long been acknowledged as an important source of employment.

Further, the Scottish sector had continued to display its vitality in the context of the emergence and growth of offshoring and the migration of ‘voice’ services overseas to ‘low cost’ geographies, notably India but over time an expanding range of destinations. The 2008 study had also revealed the sector’s maturity, and its evolution from a ‘pure’ voice proposition to embrace the multi-channel model in which centres integrated telephone-based services with various means of customer contact.

Companies widely reported that it was the availability and skills of their employees, whether their customer service competencies, accents, language capabilities and empathy, in combination with various infrastructural assets and, crucially, costs perhaps 30 per cent lower than those prevailing in London and the south-east of England, that made Scotland locationally attractive. Consequently, for example, many strategic sites and multi-lingual facilities were situated north of the border.

In sum, then, by 2008 from the perspective of government, inward investment agencies, industry bodies and individual firms, the contact centre narrative was a success story, tarnished only by recurring concerns over the durability of the voice based model of customer servicing given the longer-term challenges of automation, self-service and global sourcing.

5.2 The Need for a New Audit

While the 2008 report accurately reported the state of the contact centre sector as it was at the first half of 2008 and provided grounds for optimism, the financial crisis of September 2008 and subsequent recession cast doubt on even the short-term applicability the prospects it

identified for the industry. In a transformed economic landscape, government, industry and union bodies were inevitably keen to know how the sector was responding. There was an urgent need for current figures on employment levels, especially given the importance of contact centre employment for local labour markets and in financial services, the industry most immediately and directly affected by crisis.

The timing of a new audit was an important question. The pressing requirement for accurate information had to be tempered with the recognition that a request for data could be premature, and that organisations might supply data before the effects of downsizing, restructuring and re-engineering had worked themselves through to the operational level. It was agreed that the new audit should be undertaken in 2011, three years after its predecessor at sufficient temporal remove to evaluate the post-financial crisis state contact centre sector.

5.3 The Contact Centre Sector in Scotland in 2011

The 2011 audit reveals robustness in the sector's fundamental demographics which many might find surprising given the broader economic environment. There are 400 different contact centres, the same number as in 2008. More than 40 closed in this three year period; these included small-scale single-site operations vulnerable to adverse economic conditions, larger organisations rationalising operations, and the consequences of merger and acquisition. Centres have opened in financial services (Tesco Personal Finance), utilities (Scottish Power), in local and central government and outsourcing. One high profile arrival has been the John Lewis Partnership in Hamilton.

Overall employment has actually grown from 4,000 since 2008, to now stand 90,000 made up of 74,000 interactive servicing positions and 16,000 non-customer facing roles, including managerial, supervisory and diverse clerical, technical and other support roles. The overall importance of the sector is evidenced further by the statistic that 3.6 per cent of those in employment in Scotland are working in a contact centre.

Glasgow remains the most important specific location with 31,405 employees, 1 in 8 of the local employed workforce, a density greater even than in 2008 when 1 in 10 were of those employed in Glasgow worked in a contact centre. Lanarkshire comes next in the numbers employed, followed by Edinburgh, Fife, West Lothians and Tayside. The Highlands and Islands now has 31 centres and 3.4 per cent of the total Scottish workforce. Centres remain concentrated in the central belt. In the aftermath of financial crisis and recession, contact centre employment has become more, rather than less, important for many local labour markets.

Financial services is the most important locus of contact centre employment. In fact, the proportion of contact centre employment has remained remarkably consistent at more than one in three over the past decade. Despite adverse circumstances growth has occurred since 2008 as it has in the media/entertainment vertical and in the public sector. Employment in telecoms has declined while it has remained stable in both utilities and IT.

For more than a decade employment in outsourcing grew faster than any other segment of the Scottish sector, to just under 30 per cent of the market by 2011. While the rate of growth in this heterogeneous sub-sector has now slowed net employment continues to expand.

The workforce demographics are compelling. More than three-quarters of employees are on full-time contracts, a proportion that has grown steadily over the past two decades, while the

numbers of temporary workers has continued to decline to only 1 in 20 of the workforce in 2011. At least as far as the contact centre sector is concerned and contrary to expectations, the crisis and recession have not led to the growth of temporary or part-time working as employers seek to absorb fluctuations in demand and to drive efficiencies through lean methods and intensifying the work of their existing full-time workforce. The gender composition of the workforce continues to challenge the stereotypical assumption of the sector as wholly feminised with 58 per cent of employees now women and 42 per cent men.

5.4 Impact of Economic Crisis

Given that the fact that the data for the 2008 audit was collected before the financial crisis of September 2008, we were compelled to speculate when writing the report on the potential consequences for the contact centre sector. It was not possible, of course, to make any predictions on the extent of job losses and their sectoral location. However, we did suggest that there might be elements of continuity as much as profound change going forward. The acute difficulties faced by Scottish finance sector organisations (HBOS, RBS) would inevitably affect demand and employment levels. Yet, it was far from clear what the precise impact on contact centre jobs would be even though a recession would impact overall demand and have general consequences for employment, including that in contact centres.

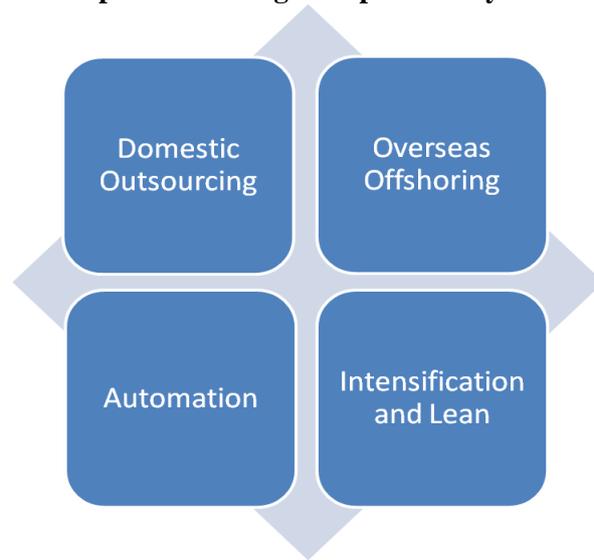
However, we observed (Taylor and Anderson, 2008:), it was important to remember that the call centre had emerged as a cost-efficient means of delivering interactive customer servicing and sales and displaced more costly face-to-face contact roles. Arguably, the growth of the call centre had been precipitated by the recession of the early 1990s and the need to cut costs and it was certainly true that employment in contact centres had grown in the wake of the recessionary pressures following the dot.com crash at the end of the decade.

While it was difficult to see how financial crisis and recession would not lead to the loss of contact centre jobs, we suggested that it was feasible that contact centre roles might be less vulnerable than others within organisations, precisely because the contact centre was a cost-efficient solution. The 2011 audit would seem to confirm this suggestion in that the contact centre sector has continued to grow, albeit modestly, even in the financial services sector itself.

We also suggested that as far as in-house contact centres were concerned, the fundamental driver would be the need to reduce operating costs. Even though cost reduction would be a general pressure operating across the contact centre sector, the imperative would be experienced differentially according to sector and firm. Concretely, it was suggested that financial sector companies might be under greater pressure to cut costs, but even in this most obviously affected sector, some companies would be under greater pressure than others.

Within the parameters of cost reduction, we proposed a simple matrix (Figure 2) indicating some potential responses. While these suggested options may have already been adopted by companies, it was suggested that some or could be pursued more fully in the wake of the financial crisis and recession. These four options did not exhaust the range of possible responses. The rationalisation of existing facilities, 'creative synergies', downsizing and closure were likely to occur in the contact centre sector as a whole. However, as a heuristic device, this diagram helpfully indicated four potential options that might have been adopted by specific companies. It is appropriate to reproduce this diagram and to appraise each in the light of the post-2008 evidence.

Figure 2: Cost-reduction options that might be pursued by contact centres



Domestic Outsourcing – The outsourcing of in-house voice services to an external third-party provider was always bound up with promises of cost (particularly labour cost) reduction, the leveraging of labour flexibilities and the ability of suppliers to respond to client needs. In 2008, we speculated that the domestic outsourcing might be increasingly pursued. In previous studies (Taylor and Bain, 2003; 2006) we had observed that companies have utilised the network of geographically proximate outsourcers in order to achieve operating efficiencies.

The post-2008 statistical profile of the sector does not demonstrate a proportionate increase in the extent of domestic outsourcing (Section 2.12). This conclusion is supported by the evidence provided by companies themselves regarding their outsourcing practices (Section 2.25). It is not being argued that particular companies have not externalised operations to a greater extent than previously. Clearly some have. However, the evidence is compelling that domestic outsourcing has not increased in overall terms by companies with in-house centres, as a cost-cutting response to the recession, in the manner that some might have predicted in 2008. The reasons would seem to relate to the fact that the degree of cost advantage that might be seen to derive from outsourcing, might be outweighed by a perceived loss of quality in service provision.

Overseas Offshoring – On the basis of the evidence of company’s practices and intentions, discussed in Section 3, it is clear that offshoring has continued by companies, wherever headquartered, that operate contact centres in Scotland. It is also true that there has been limited ‘new’ offshoring since 2008. However, the overall evidence is that offshoring has not been extensively pursued as a cost-reduction operation by companies. For example, the number of companies offshoring has not increased, nor have they increased the volume of work that has been relocated. Indeed, as we observed there has been a distinct trend to reshoring voice services, if not back office and IT processes. The suggestion that organisations that had previously rejected offshoring might reconsider this decision because of the urgent need to reduce costs is not generally supported by the evidence.

Automation – Given the requirement to cut costs, the attractions of automation and introducing forms of self-service by customers have been acknowledged. In 2008, prior to the onset of financial crisis there was widespread expectation that automated service provision would increase, prompted by the opportunity to ‘take out’ the labour costs involved in the most

transactional of voice services. These expectations were articulated by senior management prior to the onset of financial crisis and reflected emerging trends. However, as was made clear in Sections 2.2 the adoption of web based solutions has occurred to a far lesser extent than anticipated. Looking forward, though, the overwhelming majority of organisations do now expect automated provision to grow over the next two years.

Intensification and lean. If organisations has not resorted to extensive domestic outsourcing or overseas offshoring, and if the sector as a whole has not shifted massively in the direction of automated solutions since 2008, then this leaves intensification and lean as the remaining cost-reduction option. We had suggested in 2008 that organisations might attempt to use their existing ‘socio-technical systems’ more intensively. Such measures might include increasing call throughput, reducing call handling times¹⁰, or wrap times, or ‘optimising’ labour utilisation and on-call. Such methods might become manifest in increasing targets at the level of centre, business stream, team or individual agent. Put another way, the emphasis might be to increase output from an existing or indeed smaller reduced workforce.

In this respect, we acknowledge evidence that this has been a longer-term trend in the sector as a whole. The Department of Trade and Industry (2004: 140) concluded that ‘The UK contact centre industry witnessed a massive increase in the use of efficiency-enhancing technology in the mid-to-late 1990s, aimed at pushing through as many calls as possible’. Whether on outbound services through predictive dialling technologies, or generally through extended CTI (computer telephony integration) applications (e.g. caller line identity, skills based routing), touchtone IVR (interactive voice response), the similar effect was labour intensification. Call blending and CRM (customer relationship management) software were also intensively applied in the dominant mass market, where the potential for scale economies was greatest.

The pursuit of this option is not without potential costs and risks for organisations. Simply raising labour productivity through increasing call volumes and placing considerable emphasis on quantitative metrics can damage service quality. Arguably, harsher economic conditions and an increasingly competitive market place a greater premium on customer retention which in turn necessitates a major commitment to service quality standards. Furthermore, the imposition of largely quantitative solutions to cost reduction might have negative consequences for employees’ morale, commitment and even attrition but, of course, the latter responses is likely to be mitigated by a changed labour market reality that leaves agents more likely to remain with their current employer.

The evidence is compelling that lean and intensification have indeed been the most common cost-cutting measures adopted. The most frequently reported responses relate to the introduction or growth of lean working, of operational excellence initiatives and of drives for efficiency. The audit evidence demonstrates that the recession has generated a step change in lean, in terms of both the breadth and the depth of initiatives.

Where call volumes have remained at similar levels, fewer agents tend to be used. Where volumes have increased similar or in some cases even fewer agents are employed. This recalibration of staff numbers to levels of demand is the principal labour utilisation outcome, described widely by managers as ‘doing more with less’. Such labour utilisation strategies are

¹⁰ Where the productivity of each operator is measured to an infinitesimal degree, the shaving of seconds off CHTs may produce dramatic results. Miozzo and Ramirez (2003: 70) provide a powerful illustration from British Telecom, where a one-second fall in CHTs on directory enquiry calls was calculated to save £2 million.

often related to the introduction or extension of tighter Performance Management policies and practices which contribute to an intensification of work.

5.5 Prospects

Attempting to gauge organisation's projected growth is a difficult undertaking at the best of times. Even prior to 2008, companies reported a major difficulty in providing data on future expansion or contraction. Of course, this difficulty has been magnified since 2008 in conditions of profound economic uncertainty at industry and firm level. Indicative data given by organisations in 2011 suggest expansion in a minority of centres. A smaller minority predicted contraction, but the greatest number stated that market uncertainty rendered them unable to make predictions.

Based on existing trends, though, Scotland is likely to progress as a nearshore and onshore destination within the global service delivery paradigm. The trend seems clear enough. In 2011, 38 centres in Scotland were owned by headquartered overseas, compared to 27 in 2008. US, European and Asian companies have all increased their presence in Scotland and 14 per cent of the workforce are now employed in centres that have their HQs located overseas.

Scotland's proposition as a hub within the global service delivery paradigm is strengthened by its capacity to deliver foreign language services. Almost of 15 per cent of contact centres in Scotland provide dedicated foreign language services. The most common services are in the western and southern European languages with a smaller number in the Nordic and eastern European languages. Diverse Asian, African and Middle Eastern languages are often provided. Multilingual centres are often key EMEA hubs for their companies.

Scotland's attractiveness is confirmed further by the reasons given by organisations as to why they have either located or retained their contact centres in Scotland. Most significantly, firms report the availability of labour with the appropriate skills and attributes and costs that are lower in relative terms to other parts of the UK. The economic environment has created a changed labour market dynamic that is making it easier to recruit skilled resources. Evidently the provision of grants, incentives and other forms of assistance remain significant for a significant minority of organisations.

The sector will continue the transition from the earlier generations of 'pure' voice centre to the multi-channel contact centre, even though the adoption of web capability to date has been slower than anticipated. More than three-quarters of centres anticipate growth in internet based self-service over the next two years. This channel shift is being driven by the imperative of cost reduction, subjecting to automation the most transactional calls. Other anticipated developments were web chat, SMS, social media and IVR.

Finally, in terms of impacts of financial crisis and recession, discussed extensively above in relation to the post-2008 period, we remain in uncharted territory. At the time of writing, the latest available figures for GDP (for the third quarter of 2011) showed a modest increase of 0.5 per cent (<http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/GDP2011Q3>). Exact predictions are impossible, but it is difficult to escape the likelihood of protracted stagnation, very weak growth or even a flatlining economy, to say nothing of the possibility of a further descent into recession perhaps instigated by the repercussions of Eurozone crisis. While the macro-economic environment fundamentally shapes business activity it does not determine the

detail. We have seen already that there is no linear and tight cause and effect relationship between the broader economy and the contact centre sector.

All we can do is suggest futures based upon the robust data of this audit and the insights derived from our unparalleled knowledge of the contact centre sector in Scotland from over two decades. It is not unreasonable to expect that the sector will continue to demonstrate its viability in what has been termed the ‘new normal’ economic climate. A minority of firms will continue to grow their capacity and we can expect new centres to become established. A countervailing trend will see the increasing adoption of automation, to organisations seeking to move customers towards forms of self-service whilst maintaining a complement of voice provision, as cost-reduction remains a strategic operational priority. This inescapable logic will compel organisations to ‘do more with less’, further driving operational efficiencies, lean working and ‘operational excellence’ initiatives.

In respect of sourcing strategies, organisations will continue to adopt the mantra of ‘right shoring’ of pursuing the sourcing solutions that are appropriate to their business requirements, scale, product market, customer base and so on. There is absolutely no evidence to suggest that offshoring will have anything but a marginal effect on the Scottish sector. As emphatically demonstrated, the offshoring of voice services is a limited proposition and, in fact, going forward we might expect there to be further reshoring. Scotland is in a good position to continue to develop as an attractive geographical onshore and offshore location within the broader global services delivery model offering all of the advantages of experience, maturity, customer service quality and skill at costs that are relatively low by comparison to certain competitor locations.

In conclusion, it might be apposite to conclude by returning to the point of departure of this report. The importance to the Scottish economy of the contact centre sector cannot be understated. It used to be fashionable to predict the demise of the contact centre with many analysts seeing it as an ephemeral development. No one can now doubt that it is integral to the way organisations do business and is at the very frontline of their interface with customers. Equally significant from a policy perspective is the fact that the contact centre sector is such an important source of economic activity and employment across Scotland, and remarkably so specific locations.

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SCOTTISH CONTACT CENTRE AUDIT – 2011

1. What is the name of your organisation/contact centre?
2. What is the address of your contact centre?
3. Please provide...a contact name _____
 ...a job title _____
 ...an email address _____
 ...phone number of contact _____
4. Where is your company/organisation headquarters located?
5. How many contact centres are operated by your company/organisation in...
 Scotland Rest of the UK Internationally
6. In which industrial sector(s) does your contact centre operate? (eg. banking, insurance, media, financial services, telecommunications, public sector)

7. Are you an outsource provider? (please click relevant box) Yes No
8. What are the main business functions performed by your contact centre? (e.g. inbound, outbound, telemarketing, telesales, customer service, technical support etc)

9. What was the start-up date of your contact centre? Year
10. What is the current and projected size of your contact centre workforce (headcount not FTEs)?

	Total Number of Employees	Number of Full-time Employees	Number of Part-time Employees
Current			
Projected (2013)			

If you have difficulty in giving projected employment levels for 2013, please give reasons

11. Please give a breakdown of your contact centre workforce?

Category	Number
Customer-facing agents	
Team Leaders	
Contact centre managers	
Other heads of functions (forecasting, scheduling, IT)	
Other roles directly dependent on the contact centre	

12. How many temps are employed in your contact centre?

Number of directly employed temps	Number of agency temps
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13. What is the gender composition of your current workforce? (percentage not number)

Male	%	Female	%
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14. What is the total number of foreign language speaking staff in your contact centre, and what foreign languages are provided?

Total number of foreign speaking staff

Please list foreign languages

15. Are you aware of the Customer Contact Association – the professional body for the sector – and the services it provides for its members?

Yes **No**

16. Does your organisation recognise a trade union or staff association for employees in your contact centre? If yes, please give the names(s) of the trade union and/or staff association

Yes **No** Trade Union/Staff Association

17. Does your organisation have other forms of formal consultation with employees? If yes, please indicate the form(s) this consultation takes.

Yes **No** Form(s) of consultation

18. What are/were the most important reasons for retaining/locating your contact centre(s) in Scotland?

19. Please list any particular skills, facilities or resources which you believe are not readily available in the Scottish market?

20. To what extent do you agree/disagree with the following statements regarding your building and accommodation? (Please click relevant box)

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
Our building/accommodation meets our current requirements for space	<input type="checkbox"/>				
We are confident that our current building/accommodation will meet our requirements over the next 2 years	<input type="checkbox"/>				
We are confident that the market will meet our requirements should they change	<input type="checkbox"/>				
We are satisfied with public transport links to our centre	<input type="checkbox"/>				

Please give reasons for your answer

21. If you 'disagree' or 'strongly disagree' with any of the statements in Question 20, please indicate the actions that you believe should be taken to improve the situation.

22. To what extent do different channels of customer contact complement voice services? Please provide *approximate* percentages of the volume of business by channel.

Channel	%	Channel	%
Voice		E-mail	
Chat		IVR	
Internet		<i>Other</i>	

23. Over the next two years do you anticipate the growth of automated service provision, such as voice recognition and the web?

Yes **No**

If yes, please give examples.

24. What skills and training issues do you anticipate will result from the introduction of new technologies into the contact centre environment?

25. How have the financial crisis and recession impacted upon contact centre operations? (e.g. call volumes, headcount, introduction of lean working, performance management etc.)

26. Do you currently outsource contact centre services to a domestic provider?

Yes **No**

27. Does your company currently offshore services to India or other overseas locations?

No **Yes India** **Yes Other (please state)**

IF YOU HAVE ANSWERED 'YES' TO Q. 27 PLEASE ANSWER QUESTIONS 28 TO 33

28. What is the nature of the relationship between your company and the Indian or overseas operation, for example, in-house/captive, third-party provider, joint venture?

29. Please give details of the contact centre services offshored to India or overseas destinations, for example, what level of complexity, whether inbound, outbound, customer service etc.

30. What impact has offshoring had so far on employment levels in your Scottish contact centre operations? Please indicate the numbers of job lost if any?

31. In what ways has offshoring affected operations in your Scottish contact centre(s)?

32. If possible, please indicate your future plans regarding offshoring.

33. What destinations other than India have you considered offshoring to or may consider offshoring to in the future?

IF YOU ANSWERED 'NO' TO QUESTION 27 PLEASE ANSWER QUESTIONS 34 TO 39

34. Please give reasons why you have not offshored contact centre services to date?
35. Do you envisage your company offshoring...within the next 12 months? **Yes** **No**
...within the next 2 years? **Yes** **No**
...within the next 5 years? **Yes** **No**
36. Has your company considered offshoring to India or other destinations? **Yes** **No**
37. Has your company conducted pilot experiments with a view to offshoring? **Yes** **No**
38. Please list the three most important advantages of offshoring
1)
2)
3)
39. Please list the three most important disadvantages of offshoring
1)
2)
3)

COMMENTS

Please add comments on any issue raised, or not covered, in this survey. Use another sheet if necessary.

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