

Monthly Economic Update – December 2009

SECTOR – CALL CENTRES

Summary of Economic Conditions

Following the significant redundancies reported in November, December was a positive month for North West call centre employment and largely the North West economy on a whole. Leading up to December the Job Seeker Claimant count continued to fall and the numbers of vacancies for customer service roles advertised in the North West significantly increased. Vacancies were higher than in the same period last year by 1,701 notified vacancies. This was probably a result of the increased retail activity leading up to Christmas and although the majority of this activity is face to face customer service the increase in online purchases recorded this Christmas means that telephone based customer services would have also recorded increased demand.

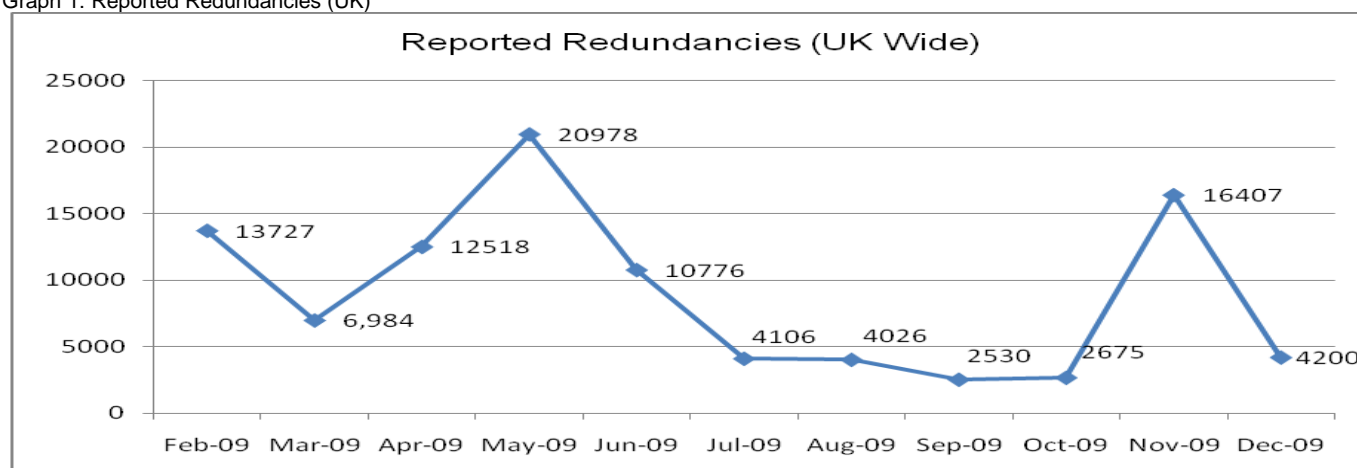
The North West call centre industry recorded no closure or significant redundancies in December. This is not to say the call centre industry on a whole has not continued to downsize. 300 jobs were lost at an outsourcing company in Londonderry who have failed to secure enough contracts to protect employees. This shows that the UK outsourcing industry is continuing to experience difficult times. Lloyds also made announcements to reduce further the number of call centre staff they employ by closing their Brighton call centre. The closure is scheduled for May 2010 and will result in the loss of over 500 jobs.

Unemployment is forecast to rise in 2010. CIPD reported that they forecast a further 250,000 jobs to be lost in first six months of 2010.

Redundancy Watch

An analysis of the UK business and economic news reported in the past month identified that the number of reported redundancies decreased significantly in December. Although not an accurate measurement as this data is collated from scanning the UK media it does give a good indication of the current employment climate. Up to the 30th December the number of announced potential redundancies in the UK was 4,200. The call centre industry continued to be affected with losses recorded at 'Stream' in Londonderry and 'Lloyds' Brighton Call Centre. Other large redundancies announced in December included 'Corus' due to the mothballing of their Teesside steel works and 'Borders' who went into administration and closed all their UK stores.

Graph 1: Reported Redundancies (UK)



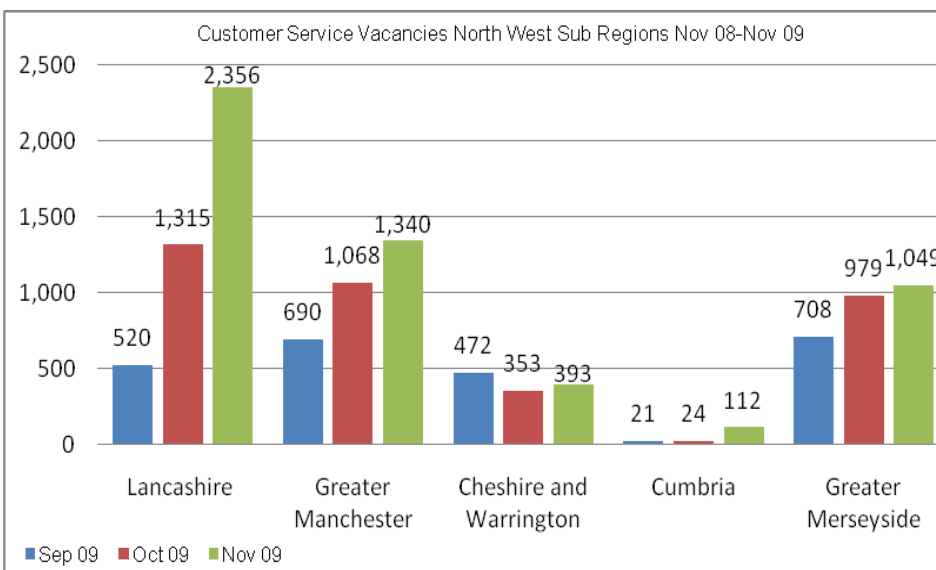
Customer Service Vacancies

The national statistics data on the number of jobs advertised for customer service roles in the North West increased by 1511 vacancies. This brings the figure close to the high volumes of vacancies recorded in the same period in 2007. It is higher by 1,707 vacancies than the figure recorded in November 2008 (3,543). Despite the dip in September the overall trend for the last six months has demonstrated a steady increase in the number of customer service vacancies being advertised. Although it is worth noting the rise may be masking a growth in part time roles being advertised as opposed to full time. There is no way of isolating the number of Full Time Equivalent roles being advertised through the Office of National Statistics data.

Graph 2: Customer Service Jobs advertised in North West Job Centres November 07 – November 09



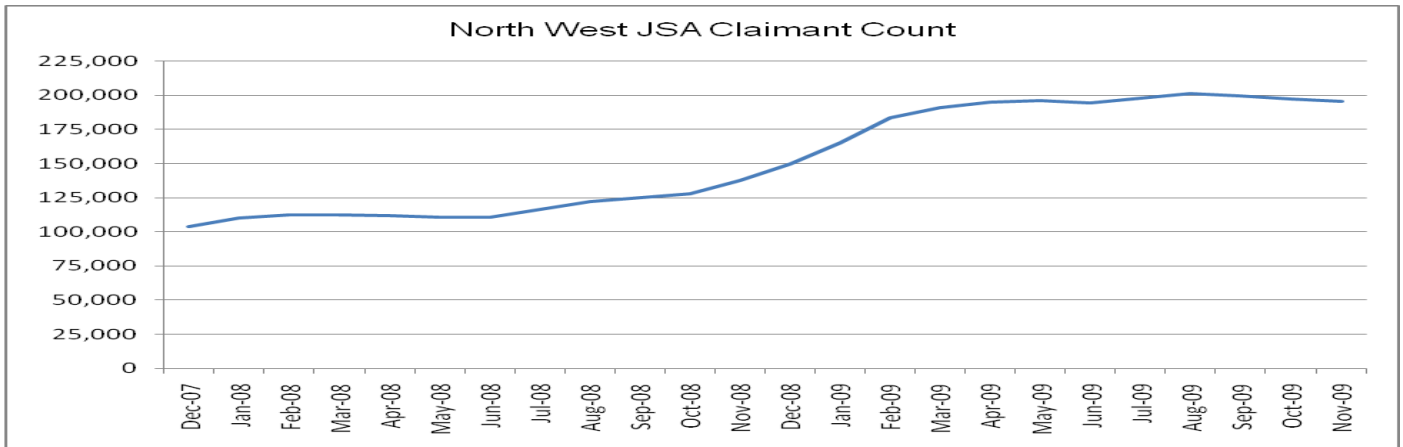
Graph 3: Quarterly Comparison: Customer Service Roles advertised by North West Sub Regions.



Increases in the number of customer service roles advertised in North West job centres have been recorded across all 5 sub regions. A significant increase was recorded in the Lancashire sub region. Although no evidence of recruitment campaigns were recorded through a review of the local job vacancies.

The number of JSA claimants in the region fell for the third month in a row in November by 1603 claimants. The figure of the number of claimants is now 195,741.

Graph 4: December 07 – November 09 Comparison: JSA Claimants in the North West.



Key Challenges and Hotspots

Sector Watch

Table 1 displays the breakdown of North West Call Centres by Vertical Market it also identifies the threat rating of potential redundancies within the market. This has been updated since the last monthly report.

Table 1: Vertical Market Representation and Threat Rating

| Vertical market | North-West | Threat Rating |
|---------------------------|------------|---------------|
| Entertainment and Leisure | 5% | Medium |
| Finance | 12% | High |
| Healthcare | 2% | Low |
| IT | 7% | Low |
| Manufacturing | 14% | Medium |
| Motoring | 2% | Low |
| Outsourcing | 9% | High |
| Printing and Publishing | 5% | Medium |
| Public Services | 4% | High |
| Retail and Distribution | 15% | High |
| Services | 10% | Medium |
| Telecoms | 3% | Medium |
| Transport and Travel | 8% | High |
| Utilities | 1% | High |
| Other | 3% | Unknown |

Industries with High Threats

Finance: The largest group of employment under threat is still Financial Services. Although the recent mergers and acquisitions activity has quietened down the major threat is the ongoing divestiture of skills within the sector and the move towards online banking being the primary method of personal and business banking. This has been ongoing for at least five years but the crisis within the sector in the last year has increased the activity. Nationally 'Lloyds' continue to downsize as part of ongoing restructuring. The majority of the jobs are being lost in branches or in call centres outside the North West. This news shows that as organisations continue to downsize and restructure within the sector the North West remains perceived as a region of excellence to deliver customer service.

Retail and Distribution: The increase in productivity that was recorded within the industry during the run up to Christmas is now over. Although consumer spending increased significantly this Christmas the forecast is for a difficult year ahead for the sector. The recession claimed more victims last month with the closures of 'Borders' and the fashion chain 'D2' going into administration. Although some companies have recorded seasonal highs it is the coming months which may prove difficult.

Transport and Travel

Like all industries the transport and travel industry is trying to reduce overheads by moving customer service to online and self service facilities. This has coincided with a worldwide fall in demand for flights and projected losses for the global industry. Scottish airline 'Flyglobespan' went into administration last month and British Airways are planning to cut a further 1200 jobs. Manchester also lost 220 jobs through the closure of the air traffic control centre although 180 staff are relocating to Ayrshire. Reports suggest the industry is in for a difficult winter and this could result in further staff reductions in the North West call centres that serve the industry.

Utilities

Reports suggest employees at the 'United Utilities' head office at Warrington are bracing themselves for announced redundancies on the back of a review by OFWAT, the water industry regulator. The review has urged water companies to cut back on spending. 'United Utilities' are currently in a 90 day consultation period with staff and unions. At this stage no exact details have been released on the planned restructuring.

Outsourcing

The outsourcing industry in the North West is a significant employer in call centre employment. The news that 'Stream' in Londonderry are struggling to capture enough contracts to maintain a workforce of 300 staff demonstrates the difficulties the industry is facing. In the next 12 months organisations particularly the public sector may outsource more as a result of cut backs in budgets. However, the dramatic savings are to be had through outsourcing offshore and this is the major threat facing the UK industry.

Public Services

2010 will see the start of increased public service cutbacks in an attempt to cut the UKs deficit. The centre right 'Reform' think tank has publicly stated significant jobs cuts within the public sector need to be made to reduce the public spend. Recently, Leicestershire County Council have announced plans to cut 650 jobs, Nottinghamshire County Council have also announced cut backs as have Greater Manchester Police whilst the Ministry of Defence among others are slowing down their recruitment activity to achieve cost savings. The trend is to reduce the expenditure on 'non critical' services such as back office roles. However, the last 10 years has seen a move away from face to face service to call centres. Following trends in other industries such as banking, transport and retail it is expected that public sector services will encourage customers to undertake more and more services online to achieve cost savings. This will result in a reduction of volume directed towards public sector call centres and ultimately a reduction in workforce employment.

Other News

As a result of the recession the debt management industry continues to grow. This month a Government funded NHS Helpline was launched to help people struggling with stress induced as a result of economic hardship. Also 'Debt Advisory Line' a North West employer and the 'Debt Management Provider of the Year – 2009' relocated in December to new £2m-plus premises in Stockport and unveiled plans to double its workforce within a year. Debt Advisory Line advises customers on their debts from its call centre, which was previously based in Cheadle. Around 90 existing staff have moved to the newly-built 12,000 sq ft Stockport HQ, which opened earlier this month, while 15 recruits have already been signed up to start work in January. DAL plans to increase its workforce to 150 by July and to 200 by the end of 2010. It predicts a turnover of more than £10m for the year to April. Head of Business Development at DAL Mike Ransom told the Manchester Evening News. "Location is essential to attract the best calibre of staff." Mr Ransom added: "The Stockport location was key for us and our staff. We are a growing business with a young team and it is crucial that the new premises have excellent public transport connections for ease of access."