Monthly Economic Update – July 2010
SECTOR – CALL CENTRES

Summary of Economic Conditions

The number of Job Seeker Allowance (JSA) Claimants in the North West dramatically fell by 6,566 between May 2010 and June 2010. This has resulted in the number of claimants in May 2010 being 17,073 less than the same point last year. The number of customer service advisor (CSA) vacancies decreased last month by 281 to 2,758. This may suggest a negative performance but in contrast in the same period last year the number of vacancies fell by 816 and the total number of vacancies was less than half the number of vacancies being advertised in June 2010.

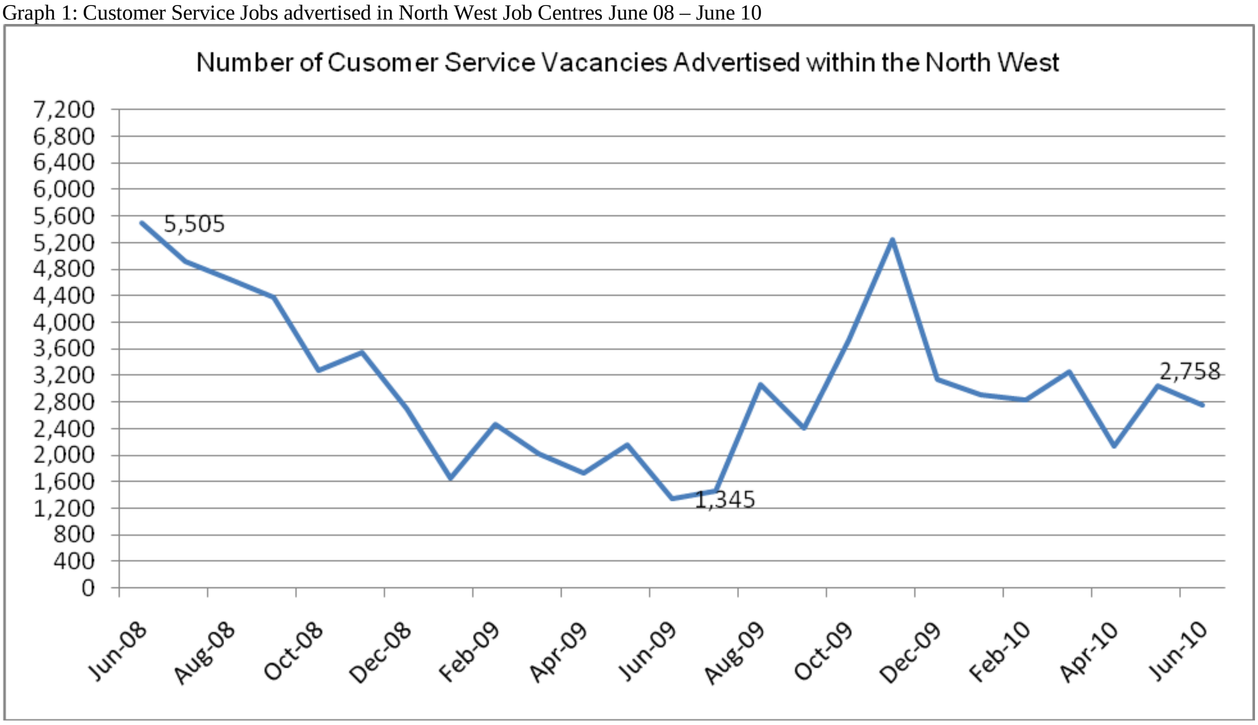
Following the positive stories in May and June the regions call centres reported a series of significant shocks in the last month. A poor world cup performance was the least of concern for workers at Lloyds in July as it was announced a further 650 jobs would be cut at the troubled bank. The impact on the region was quite significant. Up to this month the region has largely escaped the significant job losses at Lloyds however this is now not the case. It was announced the closure of a call centre in Chester would result in the loss of reportedly 535 jobs. Although in the same restructure 140 jobs will be created and 91 posts redeployed to Speke and Warrington. Elsewhere the Shop Direct call centre in Burnley finally closed following the announcement earlier this year. This closure resulted in a further loss of 450 jobs. Workforce uncertainty was also recorded at Arvato in Liverpool, the company has a ten year outsourcing partnership with Sefton Council but it has been reported that the organisation is considering centralising some of its regional operations at its East Yorkshire operations.

In Warrington a positive news story was reported on behalf of HEROtsc who have a six year outsourcing contract with Vodaphone. The organisation is responsible for the 600 strong ex Vodaphone workforce at the Birchwood site and they announced this week that they are looking to utilise empty space at the site, which could house another 200 staff. Whether this is an actual news story or organisational PR is debatable especially when the same organisation announced formal consultations were starting with 40 staff in Rothesay, Scotland following the loss of a contract with 'lovefilm' earlier that month. It is the norm for outsourcers to release positive stories to the press following negative media coverage. Finally, BSkyB reported that it has so far recruited 100 staff for its new call centre in Stockport serving TV, broadband and home phone customers. A further 400 roles will become available over the next few months.

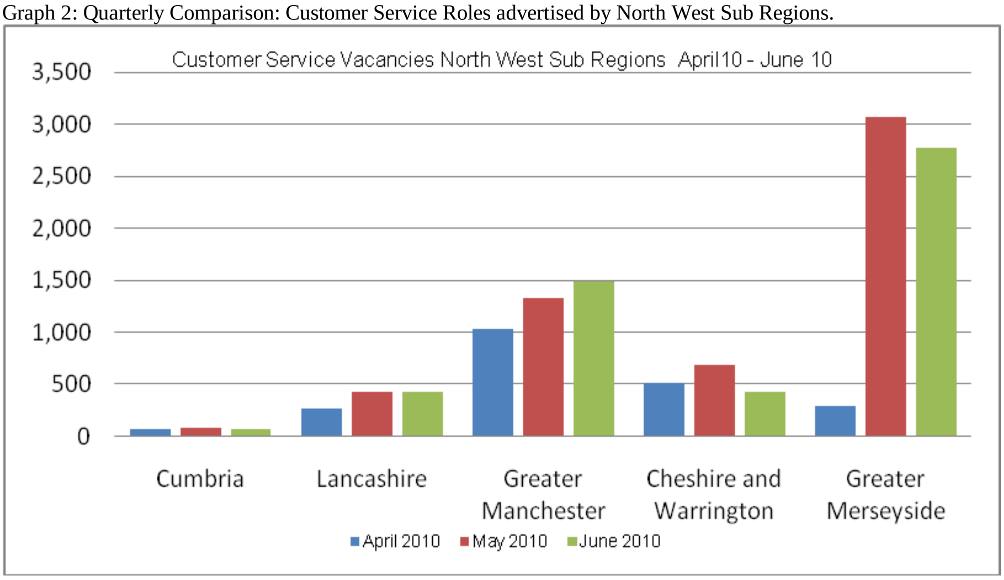
Customer Service Vacancies

The national statistics data on the number of jobs advertised for customer service roles in the North West reported a decrease in the number of vacancies being advertised from 3,039 down to 2,758. On a positive note the number of vacancies is more than double than it was at the same time last year. It is higher by 878 vacancies than the figure recorded in May 2009.

Graph 1: Customer Service Jobs advertised in North West Job Centres June 08 – June 10



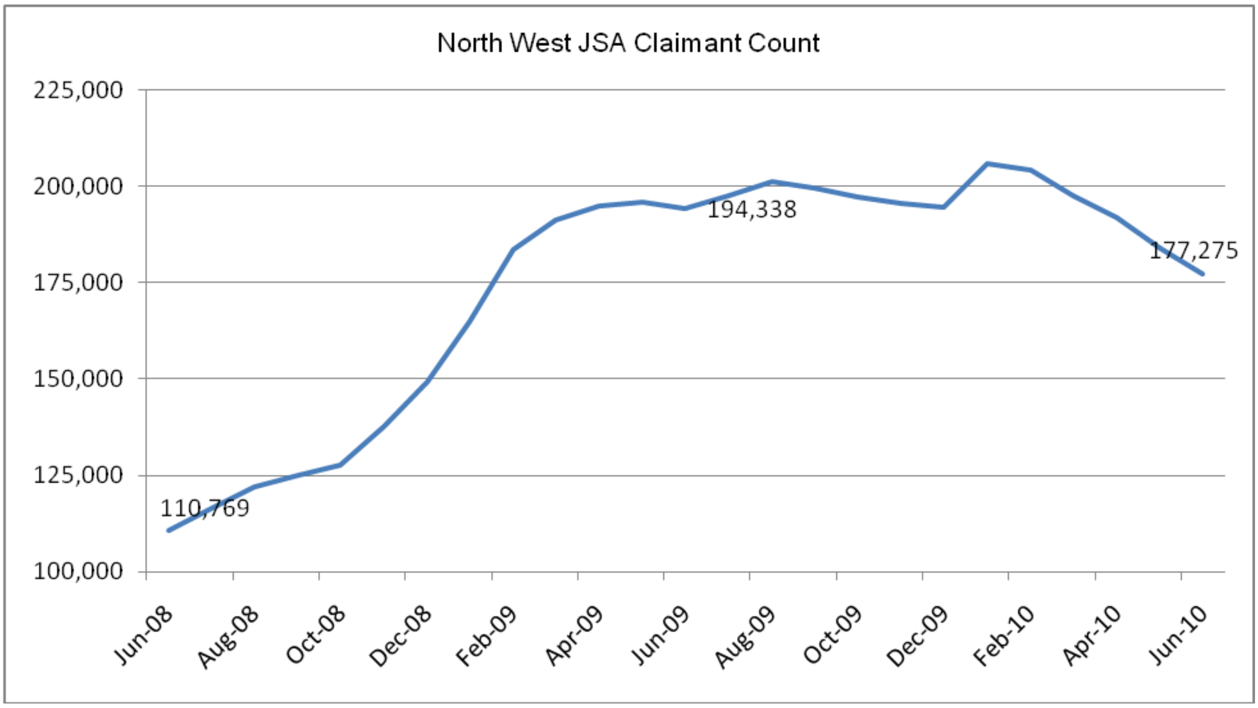
Graph 2: Quarterly Comparison: Customer Service Roles advertised by North West Sub Regions.



The only region to advertise more customer service vacancies in June than May was Greater Manchester, although the number of vacancies in Lancashire only fell by 7. Cheshire and Warrington which has performed considerably well in the past 2 years reported a significant reduction with vacancies falling by over 30%.

Coinciding with the decrease in vacancies was a decrease in the number of JSA claimants in the region in the past month. The number of claimants in the North West dramatically fell by 6,566 between May 2010 and June 2010. This has resulted in the number of claimants in June 2010 being 17,063 less than the same point last year. This can be classed as a significant indicator of more opportunity within the local economy to find employment.

Graph 3: June 08 – June 10 Comparisons: 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 that particular vertical market. This has been updated since the last monthly report. High threat industries this month employ 25% of the call centre work force although these are specifically contained in three industries we are under represented in comparison to UK averages.

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%	Medium
Services	10%	Medium
Telecoms	3%	High
Transport and Travel	8%	Medium
Utilities	1%	Medium
Other	3%	Unknown

Industries with High Threats

There are only three industries with high threats this month.

Finance: The largest group of employment under threat is still Financial Services. It was reported this month that the financial services industry has slashed one in six jobs in the last 12 months alone. Although the recent mergers and acquisitions activity has quietened down the major ongoing threat facing call centre employment is the ongoing divestiture of skills within the sector and the move towards 'leaner' service delivery as internet banking and insurance become the primary method of customer interaction. This has been ongoing for at least five years but the crisis within the sector in the last eighteen months has increased the activity. Nationally Royal Bank of Scotland, Lloyds and Friends Provident continued their restructuring programmes in the past month.

Outsourcing: This sector has been placed as high risk again this month. This is largely because of the business model operated by outsourced firms which results in them being able to reduce and decrease their workforce very efficiently based upon demand for services and largely offering services which are not heavily skill reliant. Large organisations are restructuring their operations and outsource their call centres. We have seen this at Vodafone and Shopdirect recently. Although this secures employment in the short term the long term repercussions of lean service delivery may have negative repercussion for employment numbers.

Public Services: Following the budget announcement as predicted in previous editions of this report significant cost savings have been proposed in the public sector that will directly affect call centres in the medium to long term. The trend across the public sector 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. Like all industries the strategic push is towards a rapid decline in call volumes through web based self management. The North West local authorities are currently considering where they can make cut backs. Although reportedly the majority of these will not affect frontline services it is debatable whether the authorities see call centres as front line services or mediators of services.