

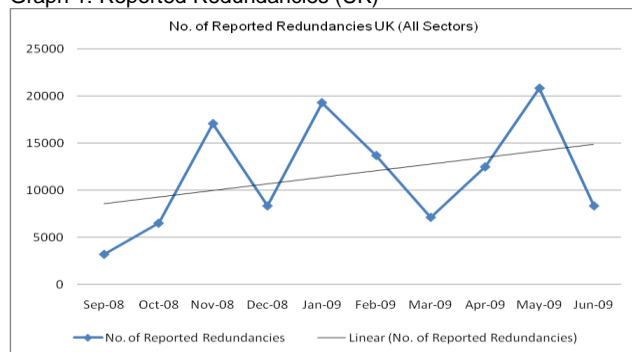
## Monthly Economic Update – June 2009

### SECTOR – CALL CENTRES

#### Summary of Economic Conditions

Within June there have been signs of a fall in the number of announced redundancies. Up to 25<sup>th</sup> June the number of announced potential redundancies in the UK has been significantly lower than the high numbers recorded in April and May. Despite this the downturn in the economy is continuing to have serious repercussions for North West call centre employment. Throughout May and June CallNorthWest have continued to have updates of downsizing within the service sector. Potentially a further 2736 jobs have either been lost or been added to the significantly at risk list in the past month. These include potentially up to 500 jobs being lost at Speke, Chester and Isle of Man through the continued restructuring of the Lloyds TSB group as a result of their takeover of HBOS. Barclays also announced they would be closing their operations at Wavertree in Liverpool with the loss of 188 jobs. Other organisations were call centre roles among others are under threat include 'The British Council' who will cut 500 jobs some of which are expected to be cut in Manchester. The Bury based 'Birthdays' who will be making cuts in customer service, retail and

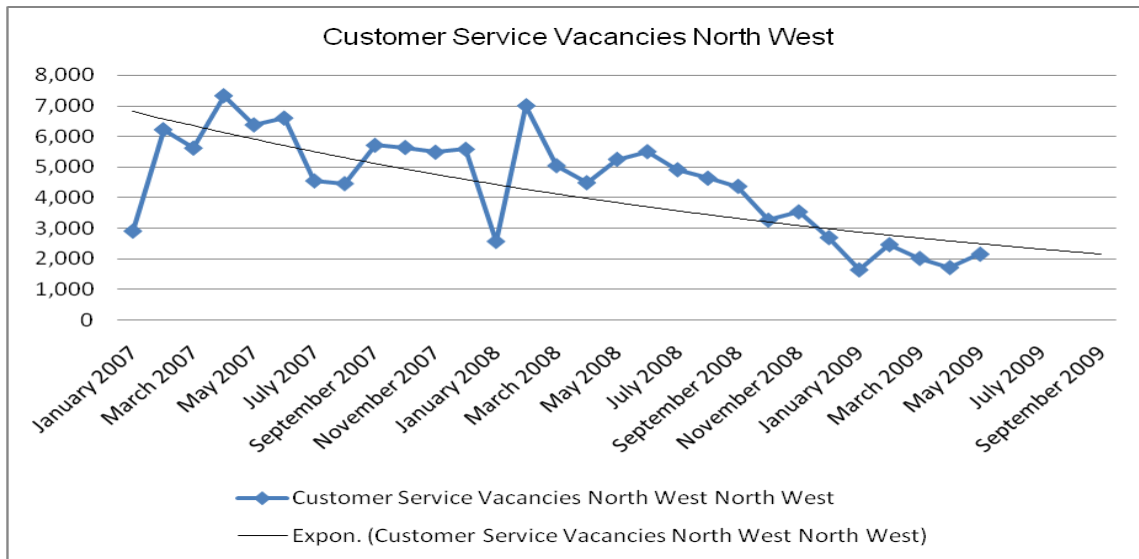
Graph 1: Reported Redundancies (UK)



distributions. British Airways were potentially up to 300 jobs in Manchester could be lost predominantly cabin crews and customer service. Another major threat is to AXA employees in the North West. The organisation announced further job losses this month, 560 in total. 120 will be lost at head Office in Ipswich but employees in Manchester and Bolton expect repercussions in the North West operations.

Analysis of employment trends suggests that the call centres are using natural attrition to reduce head counts as call centres attempt to develop a more efficient model of delivery. The national statistics data on the number of jobs advertised for customer service roles in the North West supports this. In May 2007 there were 6,379 customer service roles advertised in North West job centres. In 2008 the number of jobs advertised fell to 5,255. In contrast in May 2009 only 2,161 customer service roles were advertised. The data suggests call centres which tend to operate with high levels of turnover have either reduced their turnover of staff or are not actively recruiting as many new staff to replace leavers.

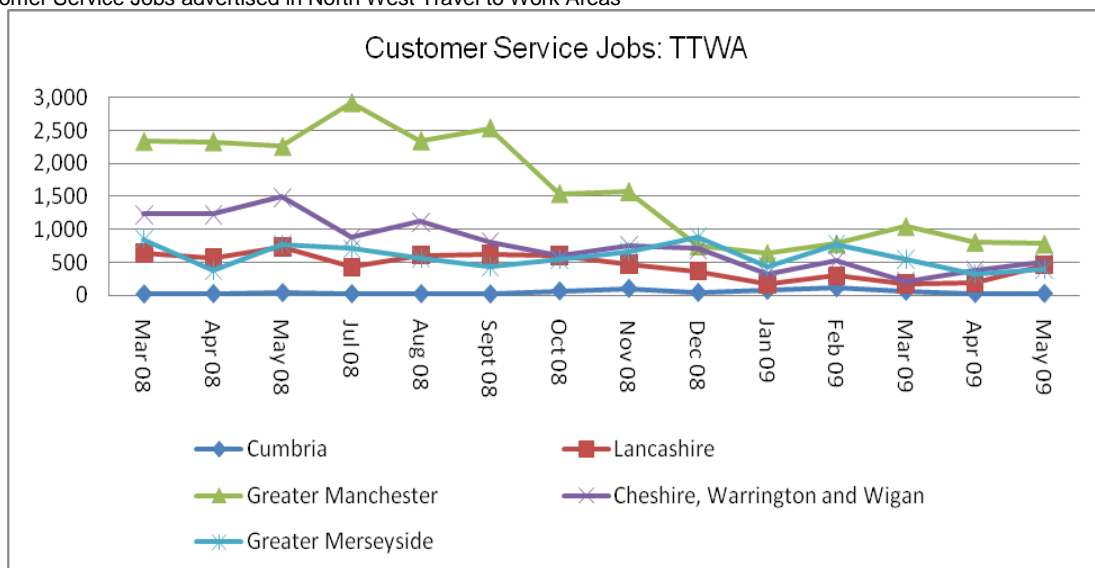
Graph 2: Customer Service Jobs advertised in North West Job Centres Jan 07 –May 09



The worrying aspect of this is that the number of jobs lost will not be fully understood within the sector as employees decide to reduce head count through not replacing leavers and the reduction in the use of temporary and agency workers. Organisations tend to use natural attrition as a method of reducing head count without attracting the negative publicity that resonates when redundancies are announced.

The data suggests that the reduction in customer service roles being advertised is predominantly within Greater Manchester. This area is the hub of call centre activity within the North West and has been heavily reliant on some of the sectors most at risk including Financial Service and Retail.

Graph 3: Customer Service Jobs advertised in North West Travel to Work Areas



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

### Industries with High Threats

**Finance:** The largest group of employment under threat is Financial Services. This is largely due to the ongoing divestiture of skills within the sector and the move towards online banking being the primary method of personal and business banking. Likewise, the demand for areas which have grown in recent years such as sales of Financial Products is decreasing significantly. The current merger and acquisitions apparent within the sector is resulting in the reduction of duplicated services. Off shoring is becoming more and more an attractive proposition. This is despite the business processing outsourcing industry being heavily hit by the recession.

**Manufacturing:** The current recession is having significant impacts on the manufacturing industry and the downsizing within the sector is currently focussing on increasing efficiencies whilst maintaining skilled labour. Therefore this is resulting in the reduction in non critical employment such as customer support.

**Printing and Publishing:** The numbers employed within regional newspapers selling classified advertising space is significantly reducing. This is largely due to a fall in demand for services (less jobs being advertised) but also the move to web based media. The majority of media sales are still conducted in call centre operations. In May the DMGT group announced plans to cut 1500 jobs across the group as a result in reduced profits due to falls in advertising. The organization owns a number of national and regional Newspapers.

**Retail and Distribution:** Another large North West operation closed this month: 'Birthdays'. This sector is significantly under threat; the longer the economic downturn the more the retail sector will be affected.

**Services:** A number of large professional and business to business services have reduced their call centre operations. This is particularly evident in legal services and accounting services being provided to small and medium sized enterprises in the local economy. A report by the Centre for Economics and Business Research (CEBR) forecast that the business services sector could see more than 300,000 jobs lost in the next three years. Advertising is singled out by the research as facing the worst future, with 15,000 jobs expected to be cut.

**Telecoms:** Redundancies have been announced at O2, Carphone Warehouse and BT in recent months. This is largely a result of a move towards automated self service as opposed to a fall in demand for services. These organisations are likely to actively pursue skill divestment strategies over the next five years.

## Shifts

**Public Services:** Previous reports determined that Public Services were awarded a low risk classification. This month this has been increased to a medium. This is largely a result of environmental scanning of other UK regions to identify trends and an analysis of recent research studies. Chartered Institute of Personnel and Development (CIPD) recently reported that as many as 350,000 public sector jobs could be lost over the next five years as a result of a fiscal squeeze implied by Government plans. In June job cuts were announced at Gloucestershire County Council (200), Nottingham City Council (450) and the British Council (500). Councils, Universities and Government Agencies are being pressured to cut costs as a result of reduced government funding. Customer Service departments could be significantly affected by reductions in Government funding at a regional level.

## Business Specific Intelligence

Hiring intentions among North West employers are at their lowest for almost eight years, a survey reveals. The Employment Outlook Survey conducted by employment services firm Manpower assesses the hiring intentions of more than 2,100 UK employers for the quarter ahead, July to September 2009. It shows the weakest hiring environment in the north west since Quarter 4 2001, with a net employment outlook of -5%. The outlook for the region is three percentage points weaker quarter-over-quarter and has declined by a significant 10 points year-over-year. This means that the hiring intentions in the region represent a similar picture to the national net employment outlook of -6%. In the North West three per cent of employers plan to increase headcount compared with eight per cent who intend to reduce staff numbers.

The largest potential threat to the North West economy other than the current economic downturn is still the resurfacing of the Off shoring threat. The economic downturn means multinationals are considering how they can increase efficiencies and again returning to outsourcing and off shoring as a potential cost saver. A recent study by strategy consultancy Roland Berger Strategy Consultants polled senior executives at 200 UK-based multinationals and suggests that 81% are intending to offshore key business functions within the next six years. 64% of UK businesses are considering moving customer service functions overseas.

## **Jobs Created**

Four of the regions key employers have announced recruitment drives in the past month. Churchwood Financial Solutions who offer debt solution is to create a further 150 jobs to help the organisation deal with the rising demand on their services. Homeserve Plc, based in Fulwood, Preston have announced the creation of 20-50 new posts in the next 12-18 months. Although it is worth noting that the organisation made over 60 redundancies earlier this year. Sitel having taken over the Thomas Cook site at Accrington last year and securing 150 jobs of the 260 ex Thomas Cook employees have this month announced they hope to double the workforce by the autumn. The Mileage Company (formerly Airmiles) is recruiting up to 200 staff in Warrington and has been talking with a number of the organisations who are downsizing as a result of CNW intervention.