

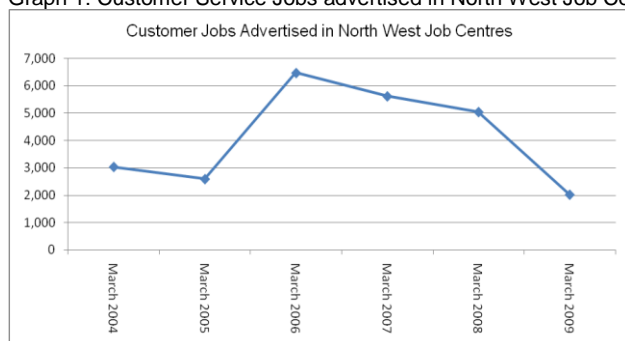
Monthly Economic Update – April 2009

SECTOR – CALL CENTRES

SUMMARY OF ECONOMIC CONDITIONS

The downturn in the economy is having serious repercussions for North West call centre employment. Between January and March 2009 – 2371 redundancies were announced and a further 3528 jobs were placed on serious risk of being placed redundant. In April the Shop Direct call centre in Crosby finally closed resulting in over a 1000 redundancies and TCS in Burnley also made 45 further redundancies. The 3528 jobs in the local region at serious risk from redundancy include large employers in the local area including both Royal Bank of Scotland, Lloyds and Royal Sun Alliance who have not confirmed where jobs will be cut in their restructuring strategies. It is expected that Manchester, Liverpool and Chester will face significant job losses as the decisions of where the job cuts start to materialise.

Graph 1: Customer Service Jobs advertised in North West Job Centres March 04 –March 09



Anecdotal evidence 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 March 2007 there were 5,621 customer service roles advertised in North West job centres, in 2008, 5,048. In March this year only 2,022 customer service roles were advertised.

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. Indeed, two large North West employers British Telecom and Homeserve recently publicly reduced their head count through terminating agency roles.

One potential significant threat to the call centre labour demand within the North West is the efficiency drive that is apparent within a number of sectors. Organisations are investing significantly in online services and support in an attempt to channel customer service demand to the more efficient web based services. A good example of this is the closure of the Crosby based Shop Direct call centre which was not only a result of a fall in demand for the organisations products but more so a result of increases in internet based exchanges between the organisation and its customers. Other industries making reductions in workforce needs as a result of the increase in more efficient transaction mediums include telecommunications (BT, Carphone Warehouse and 02) and Transport and Travel (Thomas Cook, British Airways). An industry facing significant reduction in demand is Printing and Publishing (MEN Media, Cumbria Newspapers), this is largely as a result of a drop in demand for advertising space.

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.

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%	Low
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 will also result in the reduction of duplicated services and the off shoring of services to reduce costs.

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.

Retail and Distribution: Two large North West call centres have closed in recent months: Woolworths and Shop Direct. There has also been the loss of Reebok in the local economy. 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.

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 demand for services. These organisations are likely to actively pursue skill divestment strategies over the next five years.

Industries with Low Threats

Public Services: The demand for public services increases in times of recession as more and more individuals are dependent on the state. Despite the loss of jobs in the public sector overall increases will be recorded this year.

Financial Services (Debt Management): Despite the significant reducing in the numbers employed in Financial Services one sub sector within the group is growing dramatically – Debt Management Support. Organisations providing support for those experiencing economic difficulties is increasing significantly.

BUSINESS SPECIFIC INTELLIGENCE / INFORMATION ON KEY QUESTIONS

The largest potential threat to the North West economy is the resurfacing of the Off shoring threat. The North West successfully rode the wave of the first generation of customer service off shoring and managed to remain largely ineffective. However, 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.

More than half of those polled have already started the process or are considering doing so. Customer Service has been earmarked as the most suitable function to offshore, with 64 per cent of the respondents confirming that they are thinking about such a move.

Good News Stories

UP to 130 jobs will be created by a Canadian-owned business which has announced plans to open new UK headquarters in Manchester. Neptune provides customer contact, debt collection and other outsourced services for companies in sectors such as retail, telecoms, utilities and healthcare.

The first cohort of the Post Graduate Certificate in Financial Services Management are about to complete their certificates. The course ran by the University of Central Lancashire and supported by the North West Universities Agency was developed in partnership with a number of large employers in the local area including Royal London Group, Carole Nash, Aviva, Friends Provident and Barclaycard. The programmes aims to develop bespoke and University accredited Management Development for the next generation of customer service managers in Financial Services.