

Monthly Economic Update – May 2010 SECTOR – CALL CENTRES

Summary of Economic Conditions

May 2010 was a fairly stable month for call centre employment in the North West of England. There were no significant job cuts announced. The number of Job Seeker Allowance (JSA) Claimants in the North West dramatically fell by 7,987 between April 2010 and May 2010. This has resulted in the number of claimants in May 2010 being 12,271 than the same point last year. The number of customer service advisor (CSA) vacancies increased last month to 3,039. This is an increase of 896 more jobs being advertised for customer service advisors within the North West job centres.

There were no significant stories of job cuts in the North West economy that directly affected call centre employment. Indeed, the majority of the stories were positive this month. Manchester is in the running for the Etihad European call centre location which would result in the creation of 200 jobs. Liberta which provides benefits and council tax services to Barrow Borough Council are to create a further 55 jobs at their NWDA supported 'Lake House' offices in Barrow. Two of our largest call centres faced the potential threat of being outsourced this month. Shop Direct is proposing to transfer 160 of its IT staff to two outsourcing companies. There are reportedly no threats of further redundancies within the organisation at this point. Vodafone have sold the ownership and running of their Warrington based call centre to HEROTsc, a Scottish based outsourcer. All employees of Vodafone who work at the site will be transferred across to the new company with the same terms and conditions. Again, at this stage there are no recorded threats of redundancy.

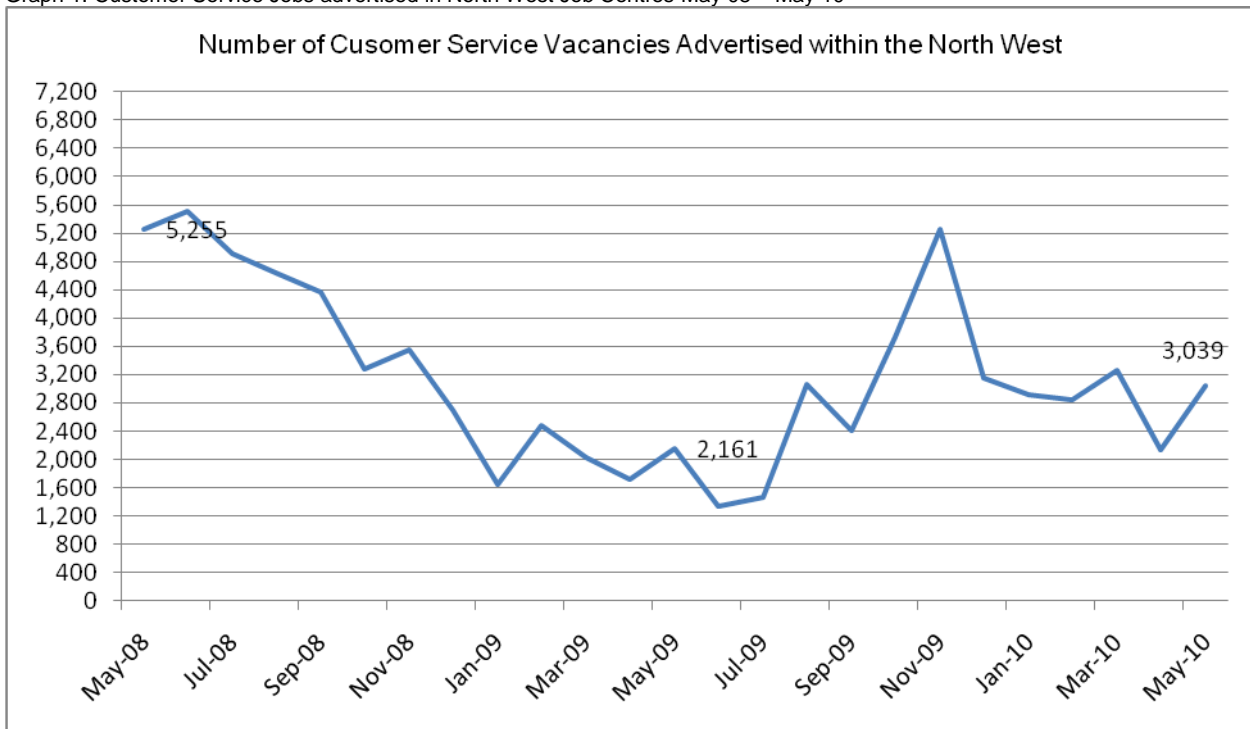
Redundancy Watch

An analysis of the UK business and economic news reported in the past month identified that the number of reported redundancies UK wide decreased in May. 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 May the number of announced potential redundancies in the UK was 4800. The majority of these were in financial and insurance services, Quinn Insurance went into administration with the loss of 800 jobs and the Royal Bank of Scotland announced plans to cut 2,600 jobs over the next year largely from its insurance division. Low value outsourcing of call centre services continues to be problematic. 'Gem' in Northern Ireland announced up to 80 employees will be made redundant over the summer. Whilst Garlands call centres in the North East went into administration resulting in the loss of a 1000 jobs. Just three years ago the company boasted a 3000 workforce and a 50 million pound turnover.

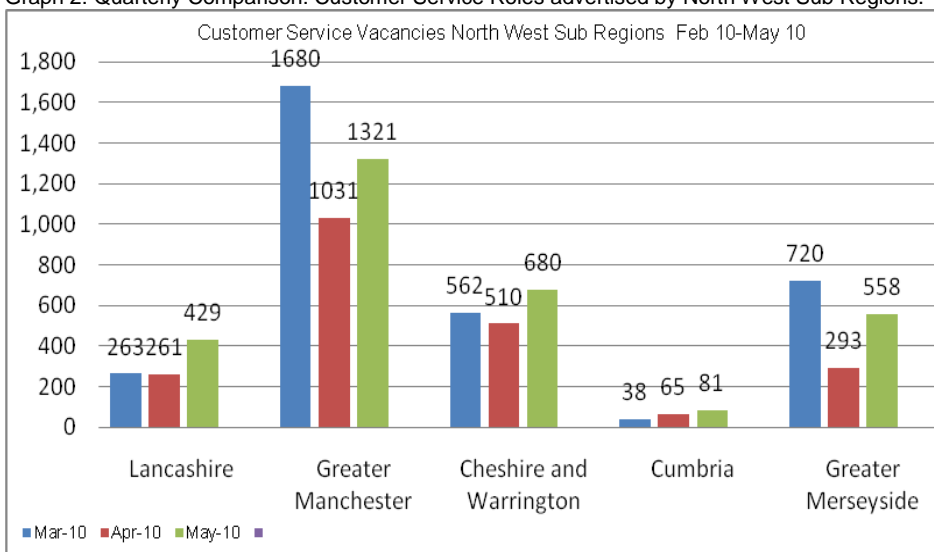
Customer Service Vacancies

The national statistics data on the number of jobs advertised for customer service roles in the North West increased the number of vacancies from 2143 to 3039. It is higher by 878 vacancies than the figure recorded in May 2009. This suggests the outlook for the next year in regard to customer service vacancies remains positive as overall trends show increased recruitment activity.

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



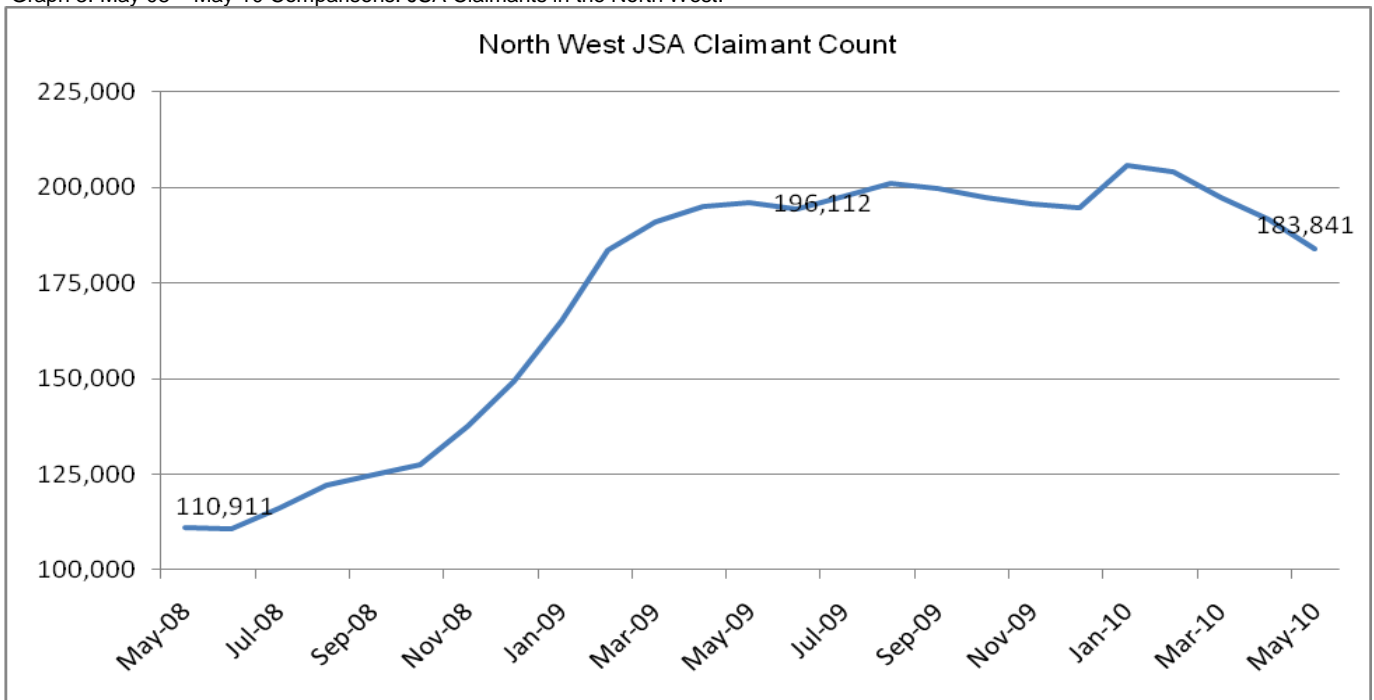
Graph 2: Quarterly Comparison: Customer Service Roles advertised by North West Sub Regions.



Particularly positive is that the increase in customer service vacancies was distributed across all the five sub regions. The most significant increase was recorded in Greater Merseyside, a region which has suffered considerably in recent months.

Coinciding with the increase 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 7,987 between April 2010 and May 2010. This has resulted in the number of claimants in May 2010 being 12,271 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: May 08 – May 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. Although the recent mergers and acquisitions activity has quietened down the major threat facing call centre employment is the ongoing divestiture of skills within the sector and the move towards online banking and insurance being 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 continues to downsize as part of an ongoing restructuring.

Outsourcing: This sector has been placed as high risk again this month. Nationally Capita Life and Pensions announced 300 job losses at its Bristol operation. The closure of Garlands will be a huge shock to the North East economy. Gem in Northern Ireland who announced significant job cuts delivered a blow to the Northern Ireland economy which in recent years has announced a significant investment in outsourcing businesses. Large organisations though are looking to restructure their operations and outsource their call centres. We have seen this at Vodafone and Shopdirect in the last month. 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. 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.