

Monthly Economic Update – August 2009

SECTOR – CALL CENTRES

Summary of Economic Conditions

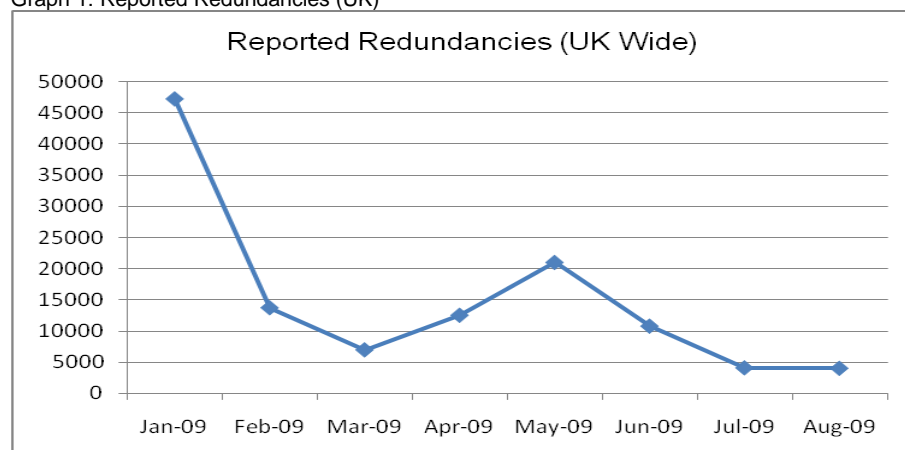
Within August the North West has received some terrible news with two major employers in the process of restructuring that could result in a significant negative impact on the North West economy. Fujitsu Systems who employ over 1200 employees across 3 sites (Manchester, Warrington and Bolton) announced they are reducing their workforce by 10% (1200 FTE). The firm is now in consultation with 750 staff in Manchester, 52 in Bolton and 406 at three sites in Warrington. Fujitsu said jobs will go from its Services arm, which has annual revenue of £2bn from IT and outsourcing contracts for private firms, councils and the government.

Alliance and Leicester has announced that 98 jobs will go at its mortgage processing site in Wigan. The move comes as a result of Santander's takeover of Alliance and Leicester and will come into effect before the end of 2009. The bank said the cuts were part of the integration of its mortgage processing call centre, but it also had 104 vacancies in the North West and hoped to find new jobs for all the affected workers locally. Around 60 jobs will remain at the site, but Nigel Cotgrove, Communication Workers Union officer, said: "The job losses bring the future of the site into question. The CWU will do all we can to keep the Wigan site open."

Invotec Circuits Blackburn Ltd has gone into administration with the loss of all 90 posts predominantly manufacturing posts but some customer service posts.

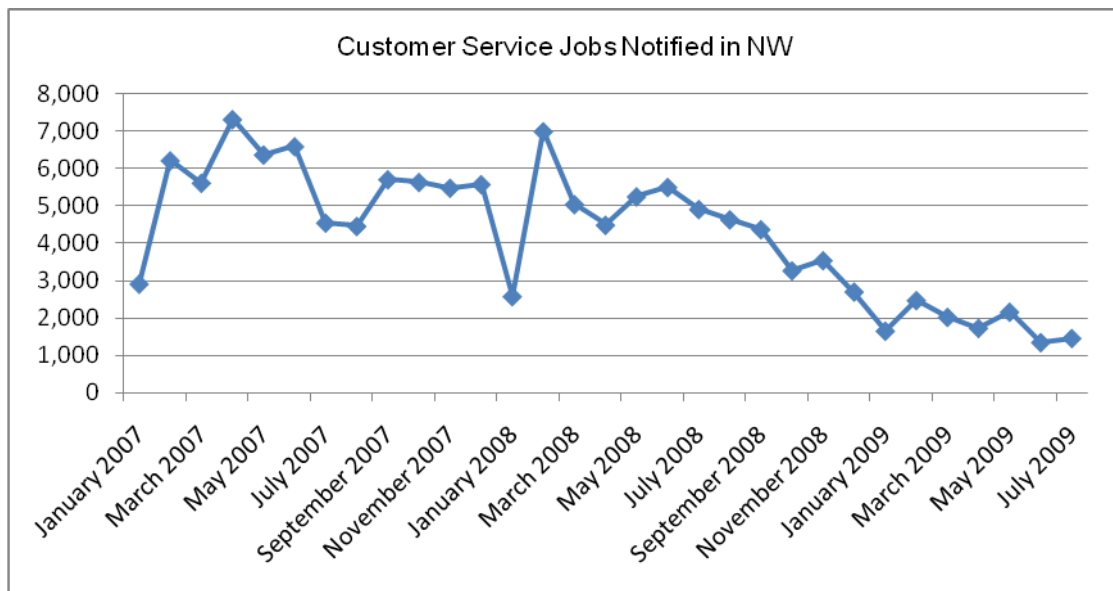
Despite the terrible news in the North West there have been signs of a fall in the number of announced redundancies across the UK again this month. Up to 30th August the number of announced potential redundancies in the UK was 4026, slightly lower than the 4106 recorded last month.

Graph 1: Reported Redundancies (UK)



The national statistics data on the number of jobs advertised for customer service roles in the North West recorded an increase in the number of jobs notified between June and July 2009. In previous years there have been significant reported reductions in the numbers of jobs advertised between June and July. This year however a slight increase has been recorded giving a very positive sign. The numbers of jobs reported though in July are still significantly lower than in previous years. In July 2007 there were 4,551 customer service roles advertised in North West job centres. In 2008 the number of jobs advertised increased to 4,915. In contrast in July 2009 only 1,465 customer service roles were advertised.

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



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 Outsourcing.

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%	High
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. This month Blackburn based Invotec Circuits went into administration and 'Excide' a battery manufacturer in Greater Manchester closed with the loss of 400 jobs.

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.

Retail and Distribution: Another large North West employer announced redundancies this month: 'Allied Carpets'. 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. Virgin Media announced redundancies this month in its home telephone and 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.

Outsourcing: The outsourcing industry is highly competitive. Potentially the global industry is forecast to grow yet it is off shoring as opposed to near shoring where the increase is. 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. As organisations look to cut costs outsourcing will look a more cost effective model but the move will be to economies which pay low wages yet have highly educated employees. The loss of potentially 1200 jobs in the UK at Fujitsu is a sign of things to come as outsourcers try to compete in a more cost effective manner.

Good News Story

Zen is still top of the league for customer service

Manchester evening News, August 27, 2009

ROCHDALE based **Zen Internet** is celebrating after coming top of a customer satisfaction survey for the fourth year running.

The firm, which has 90,000 customers, beat big name rivals including **BT** and **Virgin Media** in the **Which?** poll.

Andrew Saunders, Zen's Head of Product Management and Marketing, said: "Our mission is to provide the best ISP service in the UK and we do this by providing a reliable service with the flexibility and freedom of a one month contract.

"This is all backed up by our Rochdale-based support team who are passionate about customer service. Everyone at Zen is very proud to receive this recognition from Which? I believe it demonstrates our commitment to delivering excellent service, quality and reliability to our customers."

The survey was based on results from members of an online Which? panel and Computing Which?. The customer satisfaction score was based on overall satisfaction and their likelihood to recommend the service to a friend.