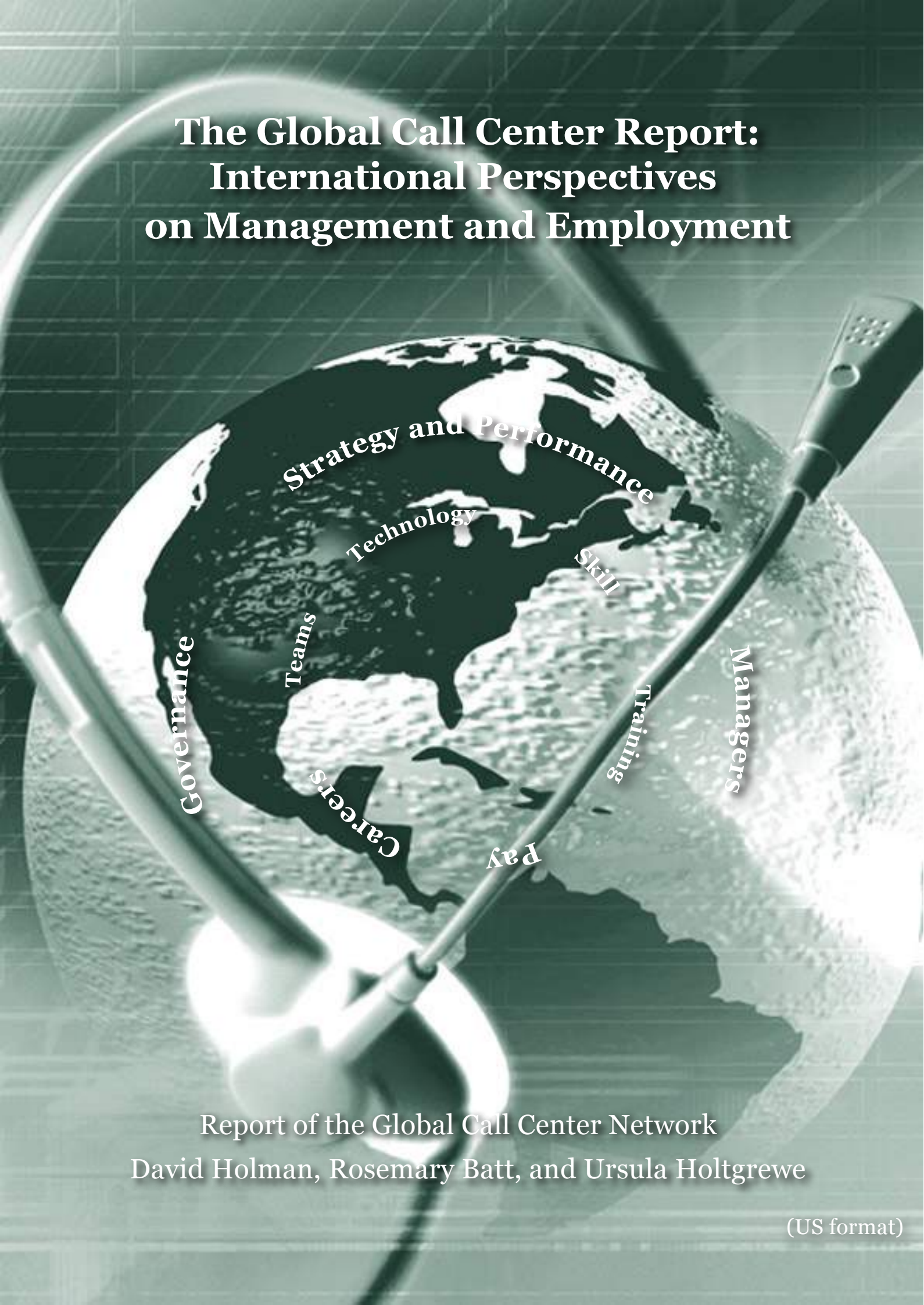


The background of the cover is a dark green grid. A large, semi-transparent globe is centered, showing the Americas. Overlaid on the globe are several terms in a white, sans-serif font, arranged in a circular pattern: 'Strategy and Performance' at the top, 'Technology' below it, 'Skill' to the right, 'Managers' at the bottom right, 'Training' below that, 'Pay' to the left, 'Careers' further left, 'Teams' above 'Careers', and 'Governance' on the far left. A white headset with a microphone is positioned in the foreground, partially obscuring the globe.

The Global Call Center Report: International Perspectives on Management and Employment

Report of the Global Call Center Network
David Holman, Rosemary Batt, and Ursula Holtgrewe

(US format)

The Global Call Center Report:

International Perspectives on Management and Employment

Report of the Global Call Center Network *(US format)*

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The Global Call Center (GCC) Project is a collaborative network of over 40 scholars from twenty countries. Participating researchers are listed below, by country. Each country research team has deep expertise in the call center sector and has conducted extensive field and survey research for this report. The report is based on the results of an identical survey administered to a national sample of call centers in each country.

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For more information on the GCC network, visit the website at www.globalcallcenter.org. To obtain national reports or contact country research teams, see Appendix C.

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Executive Summary

This report is the first large scale international study of call center management and employment practices across all regions of the globe – including Asia, Africa, South America, North America, and Europe. Covering almost 2,500 centers in 17 countries, this survey provides a detailed account of the similarities and differences in operations across widely diverse national contexts and cultures. The centers in the survey include a total of 475,000 call center employees.

Participating countries include: Austria, Brazil, Canada, Denmark, France, Germany, India, Ireland, Israel, Netherlands, Poland, South Africa, South Korea, Spain, Sweden, UK, and the US.

We examine such questions as:

- How ‘global’ is this sector? Is there a universal best practice model of management emerging across countries or have managers developed alternative approaches and innovative strategies?
- How similar or different are management practices *across* countries, and what explains differences *within* countries?
- How do in-house centers compare to subcontractors? And how do business-focused centers compare to mass market centers?
- What strategies contribute to better operations, job quality, turnover, and absenteeism?

We cover a wide range of topics:

- Adoption of new technologies
- Workforce characteristics
- Selection, staffing, and training
- Work design, workforce discretion, and teamwork
- Compensation strategies and levels for employees and managers
- The extent of collective bargaining and works council representation

Our findings suggest that the call center sector has emerged at about the same time in many countries around the globe – roughly in the last 5 to 10 years. It serves a broad range of customers in all industry sectors and offers a wide range of services from very simple to quite complex. It is an important source of employment and new job creation everywhere.

The mobility of call center operations has led many to view this sector as a paradigmatic case of the globalization of service work. And we find that the call center sector looks quite similar across countries in terms of its markets, service offerings, and organizational features. But beyond these similarities, we find that call center workplaces take on the character of their own countries and regions, based on distinct laws, customs, institutions, and norms. The ‘globalization’ of call center activities has a remarkably national face.

Our summary highlights the similarities among countries, as well as the differences between them. It also identifies important differences within countries -- between in-house centers and subcontractors, and between centers serving distinct customer segments.

Similarities among Countries

In each country, the nature of the call center sector is very similar in terms of markets, service offerings, organizational structure, and workforce characteristics.

- *Age.* The call center sector is relatively young, with the typical call center being 8 years old.
- *Markets.* Call centers typically serve national rather than international markets. Eighty-six percent serve their local, regional, or national market.
- *Subcontractors.* Two-thirds of all call centers are in-house operations, serving a firm's own customers. Subcontractors operate the remaining one-third of centers.
- *Customer segmentation.* Seventy-five percent of call centers predominantly serve mass market customers, while 25% serve business customers.
- *Service versus sales.* The largest proportion of call centers provide customer service only (49%), while 21% provide sales only, and 30% provide sales and service.
- *Inbound versus outbound calls.* Most centers primarily handle inbound calls (78%), rather than outbound calls.
- *Call centers or 'contact centers'.* The overwhelming majority of centers operate as voice only centers, rather than multi-channel 'contact' centers. The technologies employed are quite similar and calls typically last from 3-4 minutes.
- *Organizational and workforce characteristics*
The typical call center employs 49 workers. However, the majority of call center agents (75%) work in call centers that have 230 total employees or more. Call centers are flat organizations, with managers comprising only 12% of employees. Seventy-one percent of the call center workforce is female.

Differences between Countries

Despite these commonalities, there are substantial differences in the organization of work and human resource practices in call centers across countries.

To aid comparison of the many countries in the report, we group them into three categories:

- *Coordinated or 'social market' economies*, with relatively strong labor market regulations and relatively influential labor market institutions.
 - Austria, Denmark, France, Germany, Israel, Netherlands, Spain and Sweden.
- *Liberal market economies*, with more relaxed labor market regulations and less influential labor market institutions.
 - Canada, Ireland, UK and USA.
- *Recently industrialized or transitional economies.*
 - Brazil, India, Poland, South Africa and South Korea.

In general we find that national labor market institutions influence management strategies. Call centers in coordinated economies tend have better quality jobs, lower turnover, and lower wage dispersion than call centers in liberal market economies and in recently industrialized ones, where labor market regulations and unions are weaker. Call centers in co-ordinated countries also make greater use of

subcontracting and part-time contracts as strategies to increase organizational flexibility. However, there are also important differences among countries in each of these groups.

Selection, Training, and Staffing

- *Selection.* Twenty-two percent of call centers predominantly recruit people with college degrees, a relatively high proportion for what is considered to be a low-skill job – but country variation is high. Over 60% of centers in France and India primarily use college educated employees, compared to less than 10% in most European countries.
- *Training.* Newly hired workers typically receive 15 days of initial training, with somewhat less in coordinated countries (14 days) than in liberal countries (17 days). A much larger and significant difference exists in the amount of time it takes for call center agents to become proficient on their job – from 8 weeks in coordinated countries to 12 in industrializing economies and 16 in liberal economies.
- *Staffing.* Twenty-nine percent of the workforce in call centers is part-time or temporary, with coordinated economies making the greatest use of non-standard work arrangement. But there are also important differences across countries. Over 60% of the South Korean workforce and 50% of the Spanish workforce is temporary, while 100% of the Indian workforce is full-time.

Work Organization

- *Job discretion.* Job discretion is generally low, but substantial differences exist across coordinated, liberal market, and recently industrialized economies. In liberal market economies, the proportion of call centers with low job discretion is 49%, as opposed to 29% in coordinated economies, and 34% in recently industrialized ones. In India, 75% of call centers have low job discretion.
- *Performance monitoring.* The frequency of performance monitoring (feedback on performance and call quality, call listening) varies cross-nationally. These monitoring activities typically occur on a monthly basis in coordinated countries, on a bi-weekly basis in liberal market countries, and on a weekly basis or more in industrializing countries. Monitoring activities in Indian call centers are the most intense of any country.
- *Teams.* The use of self-directed teams is low, with 60% of centers making virtually no use of these work groups. Sweden is the exception, with at least 60% of the workforce in the average center involved in self-directed teams. While the reported use of problem-solving teams is high (80%), only a small proportion of employees in each call center is involved in them.

Collective Representation

- Fifty percent of call centers are covered by some form of collective representation, i.e., collective bargaining, works councils, or both. However, collective representation is highest in coordinated countries (71% of call centers), lowest in liberal market countries (22%), and intermediate in industrializing countries (36%).
- Coordinated countries, with higher levels of collective bargaining coverage, have significantly lower wage differences across call centers, compared to those in either liberal market economies or recently industrialized ones.
- The union wage premium varies considerably by country and type of economy: A union wage premium exists for workers in Germany, Canada, the US, and South Korea.

Subcontractors and In-House Call Centers

In virtually all countries in the study, subcontractors differ significantly from in-house centers in the types of services offered, the organization of work, the choice of human resource practices, and turnover rates.

Compared to in-house centers, subcontractors are more likely to focus exclusively on sales and outbound calls. They make greater use of part-time and temporary workers, offer lower discretion jobs, have higher levels of performance monitoring, pay lower wages, and are less likely to be covered by union contracts. Thirty-three percent of all call centers are subcontractors, but they employ 56% of employees in this survey.

- *Training.* Subcontractors provide less training than in-house call centers (14 days vs. 20 days).
- *Wages.* On average, subcontractors have 18% lower wages than in-house call centers.
- *Job discretion.* Job discretion is lower in subcontractors, with 48% of subcontractors providing low discretion jobs, as opposed to 35% of in-house call centers.
- *Performance monitoring.* Performance monitoring activities are more intense in subcontractors, occurring weekly, as opposed to monthly in in-house centers.
- *Staffing.* Compared to in-house centers, subcontractors typically use more part-time workers (20% vs. 15%) and more temporary workers (15% vs. 10%).
- *Collective representation.* Twenty-nine percent of subcontractors have some form of collective representation, compared to 41% of in-house call centers.
- *Target times.* Subcontractors typically answer 90% of calls within the set target time (20 seconds), while in-house call centers answer 85% of calls within the set target time (20 seconds).

Business-to-Business Centers & Mass Market Centers

Customer segmentation strategies are growing and these influence human resource strategies and the quality of jobs.

Business-to-business centers differ in important respects from centers that target the mass market or the general public. With higher value-added products and services, centers that target large business customers are more likely than others to engage in customer relationship management and to focus on service quality. As a result, they are likely to hire more skilled employees and adopt a more professional or 'high involvement' approach to human resource management.

Compared to call centers serving the mass market, call centers that serve business customers make greater use of sophisticated customer relationship technologies (e.g., electronic customer management systems), offer better quality jobs, pay higher wages, use team work more extensively, employ a greater proportion of full-time permanent staff, and are less likely to be covered by union representation.

Customer Relationship Management

- *Relationship building.* Call centers serving business customers are more likely to try to build relationships with customers.

- *Technology.* Customer interaction enhancing technologies (CRM, web-enablement) are more prevalent in business market call centers (38%) than mass market call centers (22%). Mass market centers are more likely to use technology that substitutes for human interaction. Forty percent of mass market centers use IVR or VRU, as opposed to 25% of business market call centers.

Selection, Staffing, and Wages

- *Selection.* Business market centers are more selective in who they hire.
- *Staffing.* Business market centers are less likely to use non-standard forms of employment.
- *Wages.* Wages in business market centers are typically 10% higher than those in mass market centers.

Work Organization

- *Job discretion.* Job discretion is higher in business market centers - 28% have jobs with high discretion, as opposed to 18% in mass market centers.
- *Performance monitoring.* Performance monitoring activities typically occur once a month in business market centers, and several times a month in mass market centers.
- *Teams.* One-third of business market centers have at least 50% of agents in problem-solving teams, while only 23% of mass market centers do.

Collective Representation

- Collective representation is lower in business market centers (37% coverage) than in mass market centers (44% coverage).

Call Center Outcomes

- *Total turnover.* The typical call center reports a total turnover rate of 20% per year. This includes promotions, voluntary quits, retirements and dismissals. However, there is great variation in turnover, ranging from a low of 4% in Austria to 40% in India. Median turnover is 15% in coordinated countries, 25% in liberal countries, and 23% in industrializing countries.
- *Workforce tenure.* Across all the countries in the study, approximately one-third of the call center workforce has less than one year of tenure at work. This varies markedly from less than 10% in countries like Austria or Sweden to almost 60% in India; and also between the different types of country – from 16% in coordinated countries, to 21% in liberal, and 38% in industrializing countries.
- *Costs of turnover.* The costs of turnover are high. On average, replacing one agent equals 16% of the gross annual earnings of a call center worker – that is, the simple replacement costs of one worker equals about two months of a typical worker's pay. If lost productivity is taken into account, replacing one worker equals between three and four months of a typical worker's pay.
- *Labor costs.* The costs of turnover are high, particularly given that labor represents a high portion of total costs in call centers – typically 70% of costs in liberal market and coordinated economies and 57% in industrializing countries.
- *Turnover and unions.* Across all countries in this study, call centers with union coverage have 40% lower turnover rates than those without coverage: 14% annual turnover in union workplaces compared to 24% in non-union sites.

- *Turnover in subcontractors.* On average, turnover rates are 25% per year in subcontractors, compared to 19% among in-house centers. This pattern holds across most countries in this study
- *Sales growth:* Across all call centers, managers reported sales growth that averaged 10% per year, with a range of 5% to 18% per year, in all but 3 countries. The three exceptions were India, (89%), Brazil (38%), and Poland (23%). The typical or median call center had a 5% growth rate in annual sales.
- *Job quality.* If the extent to which a job promotes employee well-being is used as the primary indicator of job quality, then a high quality job will combine high job discretion with low performance monitoring. Using this definition:
 - 32% of call centers have high to very high quality jobs but only 12% of agents work in such jobs.
 - 38% of call centers have low to very low quality jobs and 67% of agents work in such jobs.
- *Job quality across economies.* Job quality is highest in coordinated economies and lowest in industrializing economies. In coordinated economies, more call centers have high to very high quality jobs (41%) than low to very low quality jobs (24%). In contrast, in liberal and industrializing economies, more call centers have low to very low quality jobs (48% and 50%) than high to very high quality jobs (25% and 21%),
- *Job quality and subcontractors.* Fifty-three percent of subcontractors have jobs of low to very low quality and 22% have jobs of high to very high quality. In contrast, 32% of in-house call centers have jobs of low to very low quality and 37% have jobs of high to very high quality
- *Job quality and turnover.* The typical level of turnover in call centers with very high quality jobs (high discretion/low monitoring) is 9%, whereas it is 36% for low quality jobs (low discretion/high monitoring).

Introduction

Over the past decade, call centers have experienced phenomenal growth in virtually every country around the world. Fuelled by advances in information technology and the plummeting costs of data transmission, firms have found it cost effective to provide service and sales to customers through remote technology-mediated centers.

Promise and controversy. But the growth of call centers has been controversial. On the one hand, consumers may gain from new or lower cost services, while governments in advanced and industrializing countries view call centers as a source of jobs and economic development. On the other hand, consumers often object to poor service quality, and managers complain of the difficulties and dilemmas of providing high quality service at low cost, while dealing with excessive turnover. Critics, including trade unions, also have complained that call centers are large service factories that only provide poor quality jobs - with high levels of routinisation, and low wages and job security. Thus, many different constituencies share an interest in the development of call centers and how they can be managed successfully in the global economy.

Convergence and similarity. Common to all call centers is the use of advanced information technologies to handle customer inquiries remotely in operations that encompass high levels of engineering efficiency. There is also a perception that call centers operate in a uniform way across countries - a call center in the UK looks like one in South Africa, the Netherlands, or Brazil – which suggests that call centers in different countries are converging on a standard set of management and employment practices.

Divergence and difference. An alternative view is that despite the rapid diffusion of new technologies, the emergence of the call center sector in each country is occurring in the context of diverse national institutions and cultural norms, distinct labor market conditions and consumer demands. These differences lead to divergent practices – suggesting that the management strategies and human resource practices in this sector will differ markedly within and across countries around the world.

This report tackles the questions just raised. How ‘global’ is this sector? Are call centers simply standardized operations in large factories with few opportunities for managerial innovation? Do they largely offer poor quality jobs? Or have managers developed a range of alternative approaches? If so, do these reflect national differences, market differences, or business strategies? And how do these differences matter?

With these questions in mind, we undertook this international project. The aims of the study are:

- To map the range of management practices in call centers around the globe.
- To examine whether differences in national institutions, markets, and management strategies influence the organization of work and human resource practices.
- To explore the relationships between management strategies, human resource practices, and call center outcomes.

This is the first study to provide a detailed comparison of management and employment practices in call centers within and across national boundaries. It covers almost 2,500 centers in 17 countries, with total employment of 475,000. The countries participating in the study are presented in Figure A. The survey itself was completed by senior call center managers.

Figure A. Call Centers & Employment Covered in this Report		
	Number of Call Centers	Total Employment
Coordinated Economies		
Austria	96	8,049
Denmark	118	7,162
France	210	15,440
Germany	153	21,600
Israel	80	3,792
Netherlands	118	8,437
Spain	68	13,712
Sweden	139	7,060
Sub-total	982	85,251
Liberal Market Economies		
Canada	387	71,041
Ireland	43	3,453
UK	167	26,187
US	464	94,938
Subtotal	1,061	195,619
Recently Industrialized Economies		
Brazil	114	122,590
India	60	34,146
Poland	75	9,375
S. Africa	64	5,599
S. Korea	121	22,361
Subtotal	434	194,071
Total	2,477	474,942

We draw on an identical workplace survey administered to a national sample of call centers in each participating country. Research teams encompassing a total of 45 scholars conducted the survey as well as extensive field interviews with call center managers, industry experts, economic development specialists, and employees and union representatives. (Our appendices provide the details of country research teams and sponsors, as well as technical notes on how the survey research was conducted.) We hope this report will provide an insightful understanding for the range of stakeholders involved in this sector.

Structure of the Report

Part I. The Global Picture: Convergent National Trends

This section maps the global call center sector, focusing on its growth and diffusion. We examine the extent of similarity in features such as the age of the sector in each country, the markets it covers, the types of services offered, and basic organizational characteristics.

To aid comparison of the many countries in the report, we draw on prior conventions for grouping them into three categories:

- Coordinated or ‘social market’ economies, with relatively strong labor market regulations and relatively influential labor market institutions. Countries with coordinated economies include Austria, Denmark, France, Germany, Israel, Netherlands, Spain, and Sweden.
- Liberal Market economies, with more relaxed labor market regulations and less influential labor market institutions. Countries include Canada, Ireland, UK, and USA.
- Recently industrialized or transitional economies. These countries include Brazil, India, Poland, South Africa, and South Korea.

Prior research in manufacturing industries, for example, has shown that coordinated economies with more centralized systems of collective bargaining typically have higher levels of skills and training, and lower wage inequality than do liberal market economies. However, call centers can often exist outside the boundaries of these traditional labor market institutions, raising the question of whether these institutions matter in the context of this emergent sector. In reporting our findings we therefore group countries according to these three categories. Readers can assess through the charts whether countries look more similar within these three clusters than between them.

Part II. The Global Picture: Divergent National Trends

This section examines whether there are substantial national differences in management and employment practices in call centers. Here we examine differences in selection, staffing, and training; the organization of work; industrial relations systems and pay levels.

Part III. The Business-level Picture – Subcontractors and Customer Segmentation

This section examines the key factors at the business-level within each country that account for differences in employment and work practices. We explore in-house centers compared to subcontractors, and business-to-business centers versus mass market centers.

Part IV. Call Center Outcomes

This section examines key call center outcomes such as turnover, sick rates, labor costs, operational measures and job quality, and discusses how management practices and labor market institutions might influence them.

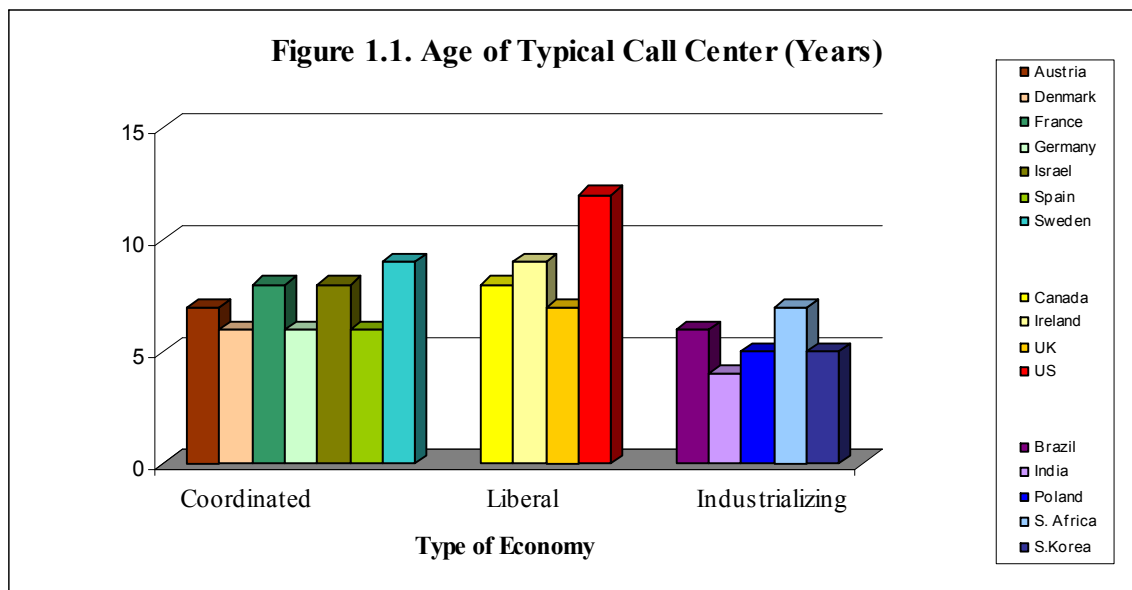
PART I

The Global Picture: Convergent National Trends?

Is there support for the idea that this sector is converging towards one model of management and organization? In this section we focus on the extent to which call centers are similar across the countries in our study. We find that there are many similarities across countries, suggesting that the call center sector has developed in broadly similar ways across advanced and recently industrialized countries with regard to markets, services, and some organizational characteristics. But in Part II we show that, beyond these broad similarities, call centers across countries are quite different in the types of work and employment practices they use.

Development, Markets, and Services

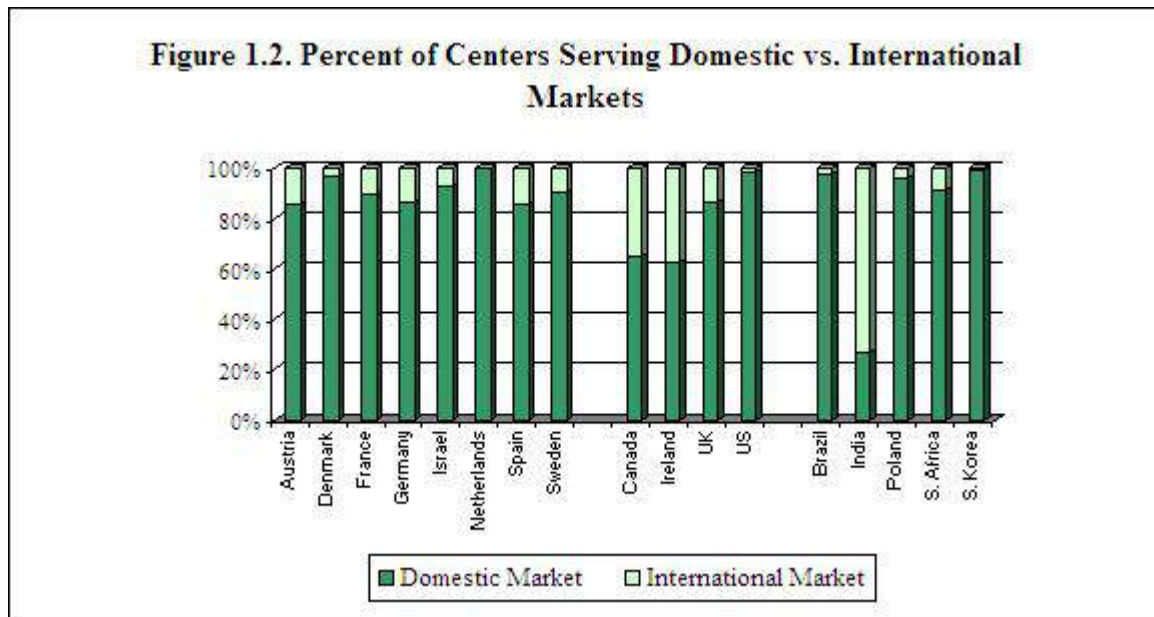
One indicator of the development of this sector in countries around the world is the typical age of call centers. A call center in this study is typically 8 years old (in 2007), ranging from a high of 14 years in the US to a low of 6 years in India and 7 years in Poland and South Korea (Figure 1.1).



This pattern suggests that the sector is a relatively new phenomenon everywhere -- not only in India -- although it does appear to have emerged slightly later in recently industrializing countries. What explains this pattern of development? Making service transactions reliable and efficient - of turning 'high contact' services in to 'low contact' ones - is a longstanding goal of operations management. However, this has only become possible on a large scale through the decline in telecommunications transmission costs, brought on by industry deregulation, and the global dissemination of call center technologies and advanced information systems. Countries around the world are now taking advantage of these regulatory and technological changes.

Markets: national versus international. An important feature of call centers is the relative ease with which work flows can be routed to different geographic locations, organizations, or employees within the same organization. This has allowed companies to shift service delivery

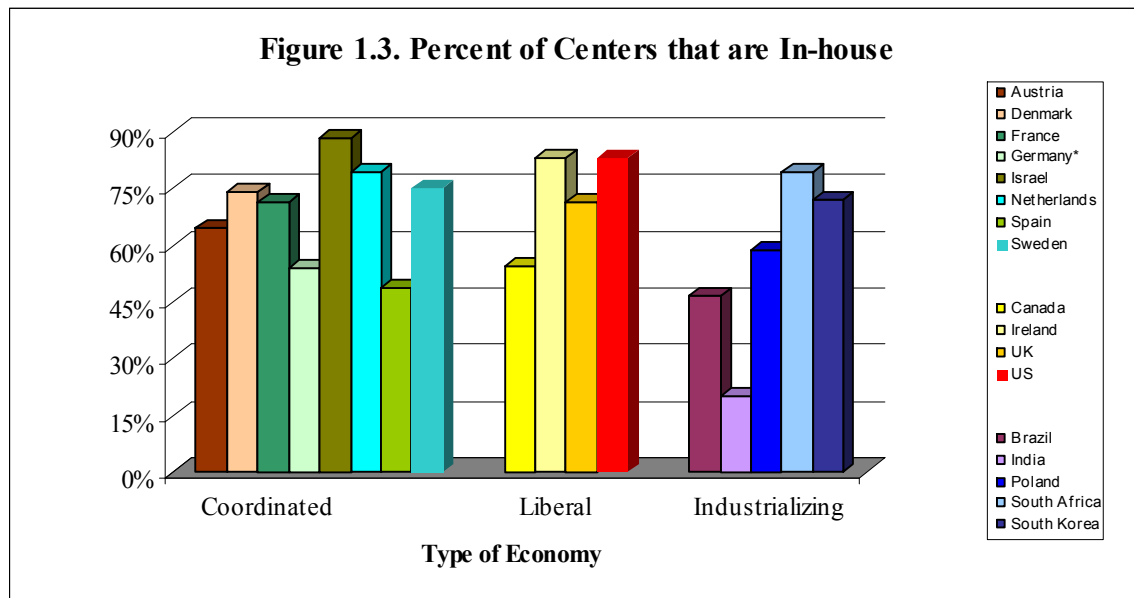
from local interactions to more remote ones. Our survey shows that 30% of centers primarily serve local or regional markets, while 56% serve their own national market.



Thus, despite the mobility of call flows and the scale economies of serving large geographic markets, most call center markets are not international: while 86% of centers serve the local, regional, or national market in their own country, only 14% serve the international market (Figure 1.2). The exceptions to this pattern are those countries that have specialized as global subcontractors - India, and to a lesser extent, Ireland and Canada. In this survey, the proportion of call centers serving international customers is 73% in India, 37% in Ireland, and 35% in Canada. Canada is rarely noticed as a major provider of subcontracting services, but its proximity to the US and shared language, time zone, culture, government-provided health care, and low exchange rate to the US dollar has made it an increasingly important locus of subcontractors for US corporations.

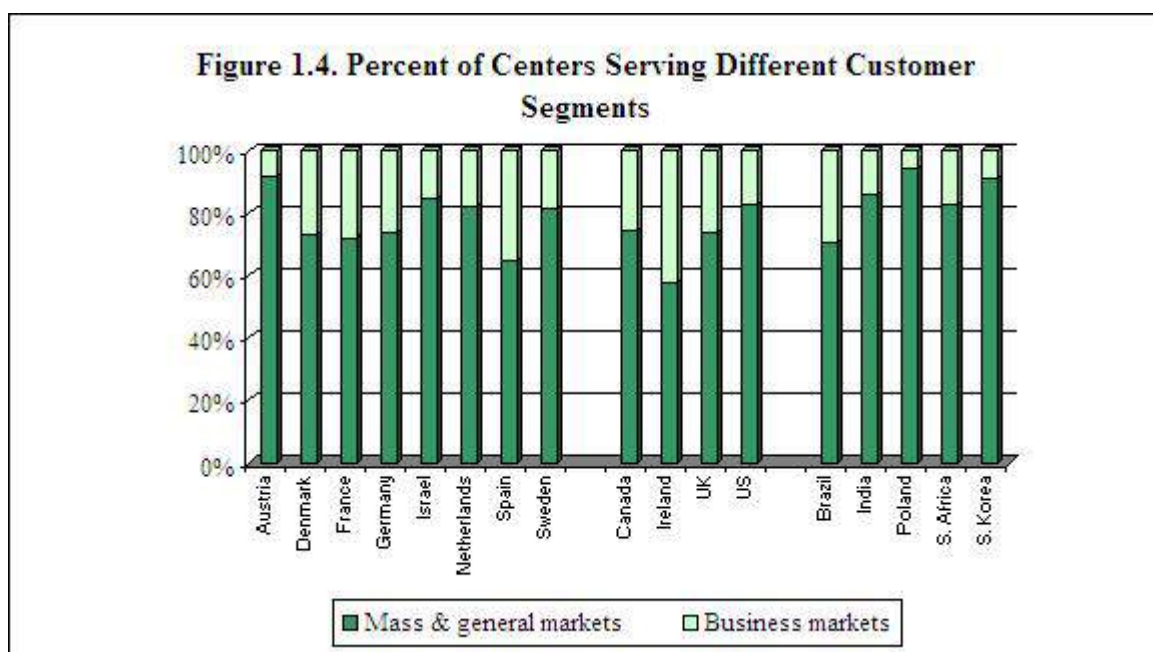
The spread of call center services is also occurring in a way that is different from that found in manufacturing. Thus, while call centers are geographically mobile, their spread is quite uneven, shaped particularly by language and culture. Most centers providing international services follow historic patterns of linguistic ties: between France and Morocco; between Spain and Latin America; between the UK and US and other English-speaking countries (Ireland, India, Canada, and South Africa).

Business strategy: subcontractors versus in-house. The geographic mobility of call flows also makes it relatively easy to outsource work to third party vendors rather than retain work in-house. Despite the wide attention that call center outsourcing has received, the majority of call centers in almost all countries are in-house centers, with India providing the exception to the rule. Sixty-seven percent of call centers are in-house centers, while 33 % are subcontractors (Figure 1.3). Nonetheless, the majority of employees work for subcontractors, as on average these workplaces are larger in size. As we discuss in greater detail in Part III of this report, subcontractors tend to be under greater cost pressures than in-house centers and the quality of jobs and pay is lower.



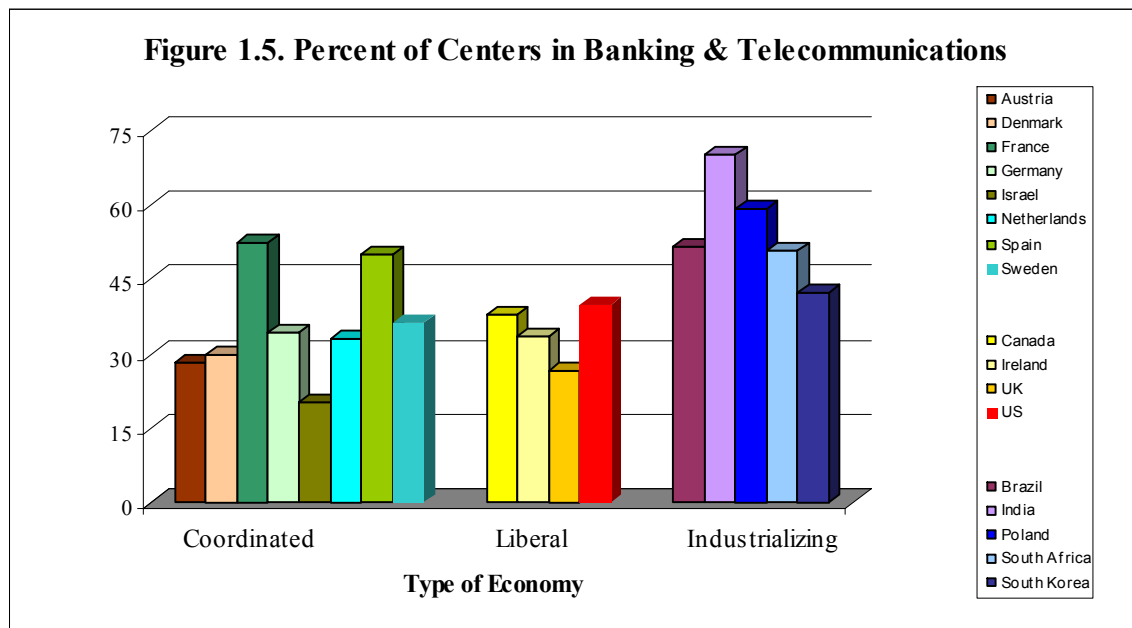
Countries with a significantly higher proportion of subcontractors include India (80%), Brazil (53%), and Spain (50%). By contrast, the US and Israel have a higher proportion of call centers who have retained delivery in-house (83% and 88% respectively).

Customer segmentation. Call center technology makes it possible to access a large, geographically dispersed customer base, so organizations are now able to target particular groups of customers, rather than serving the general population or all customers in a given area (often referred to as ‘universal service’). Customer segmentation strategies in call centers are becoming widespread. In Part III of this report we describe these strategies in more detail and the implications they have for management and employment practices. For now, it is worth noting that a major distinction in all countries is between centers that primarily target business customers and those that provide universal service or serve the mass market.



On average, 75% of centers serve the general or mass market (Figure 1.4). These are the markets where the volume of service and sales transactions is the highest. By contrast, about 25% of centers serve business customers, i.e., are business-to-business centers. Over 80 % of the workforce is located in centers serving the mass market or general market, and levels of standardization and the quality of jobs are typically much lower in mass market centers than in business-to-business centers.

Sectors. Another common feature of call centers across countries is that the lead actors in each case have been the telecommunications and financial services industries (Figure 1.5). Telecommunications firms were early adopters of call centers for long distance operators and telephone directory assistance. Systems engineers developed technical innovations for efficiently handling large volumes of customer inquiries. With deregulation over the last decade or two, depending on which country we observe, these telecommunications firms have experimented with expanding the call center model from simple transactions to handling increasingly more complex service and sales transactions.

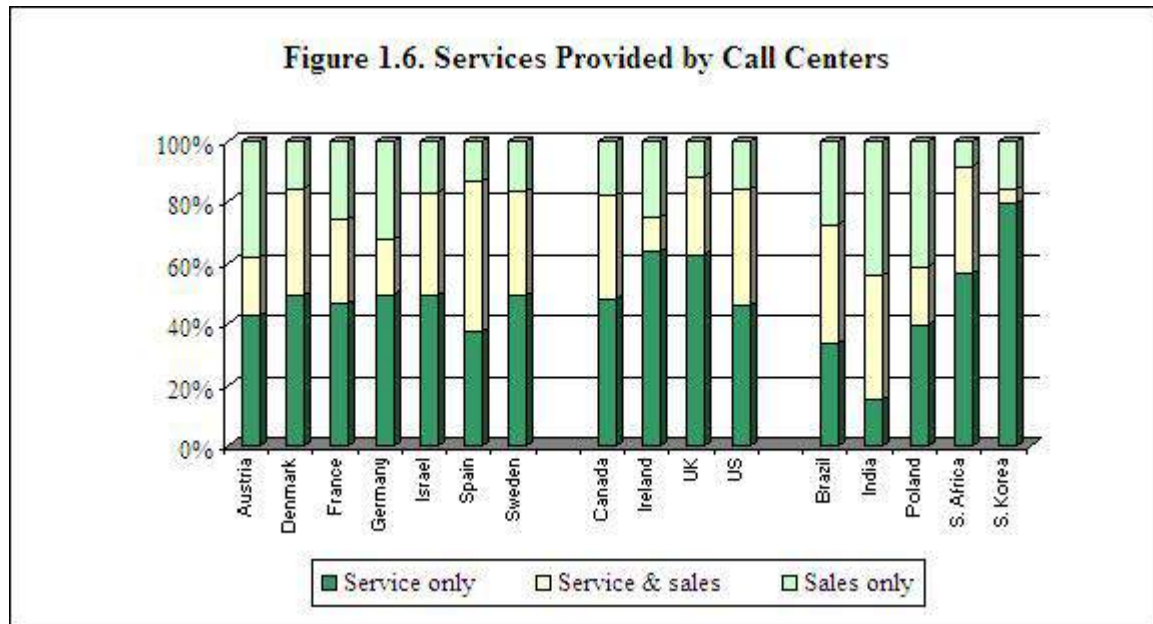


Similarly, financial services firms were early adopters of call centers in most countries, with deregulation providing incentives to reduce costs and improve sales channels. Unlike the telecommunications industry, where call centers were commonplace and subsequently expanded to include a wider variety of functions, few banks had customer-facing call centers before the 1990s. Many banks underwent dramatic organizational change by shifting services from local branches to remote centers and outsourcing services to third party call centers. Currently, the financial services industry is the largest user of call centers in all of the countries in this study.

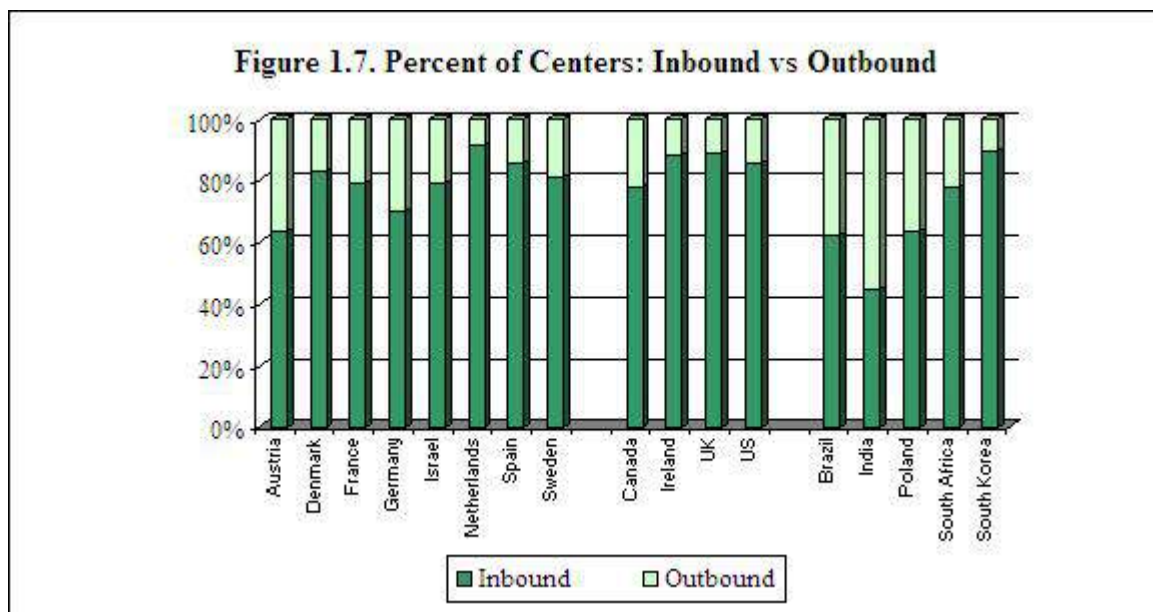
Telemarketing firms were also early adopters of call centers, but in some countries, consumer protection laws that prohibit or limit cold calling to new customers have reduced the distribution of telemarketing centers in recent years.

Service provision. Early adopters of call centers tended to focus on the cost savings stemming from service automation and process engineering. By consolidating services into large, remote centers, companies achieved economies of scale covering larger numbers of customers and

greater efficiencies in the allocation of labor. Thus, call centers were cost centers, designed to make service delivery more efficient. The largest portion of call centers in this study, 49%, focuses on service alone. However, a substantial minority (30%) focuses on sales and service, while a minority (21%) concentrate on sales only. Many therefore appear to have embraced a profit center approach to management (Figure 1.6).



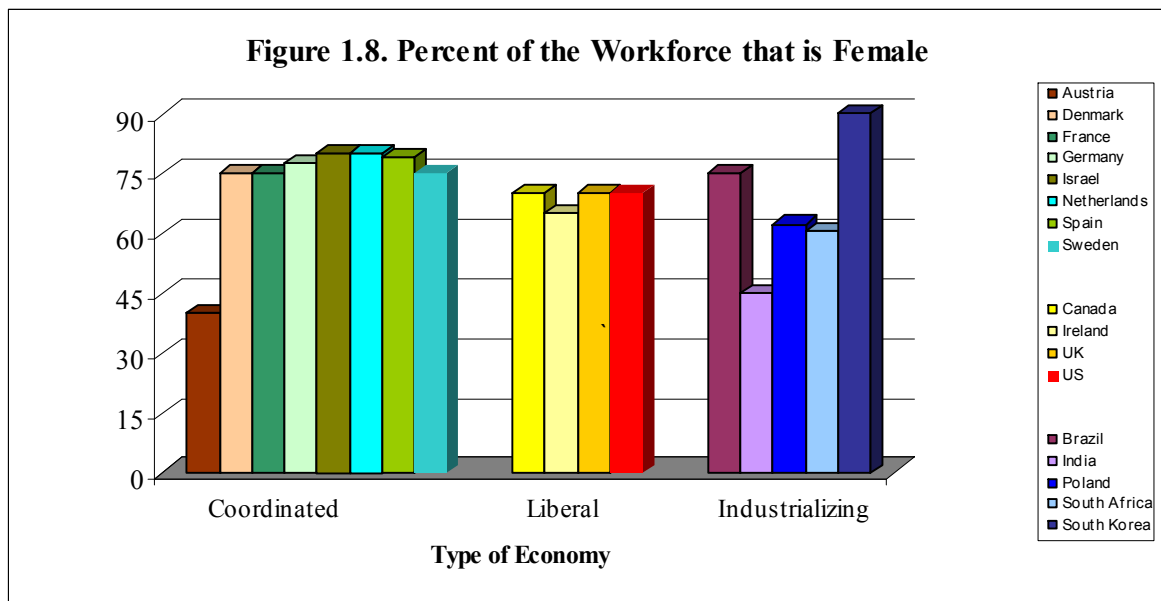
Most centers also deal mainly with inbound calls from customers (79%) rather than making outbound calls or solicitations to customers (21%) (Figure 1.7).



Common Organizational Features

In addition to similarities in markets and services, call centers have certain organizational features in common. They are flat organizations, with relatively few layers of management. Managers constitute only 12% of employees in the typical call center in this study – and there is little variation in this number across countries – ranging from a low of 9% to a high of 15%. Most call centers also are part of larger corporations, rather than small independently-owned firms. Eighty-one percent of the centers in this study are part of a larger organization, with a range of 66% to 98% among countries.

Workforce composition. Another common feature across all of the countries in the study is that the frontline workforce is predominantly female (69%).



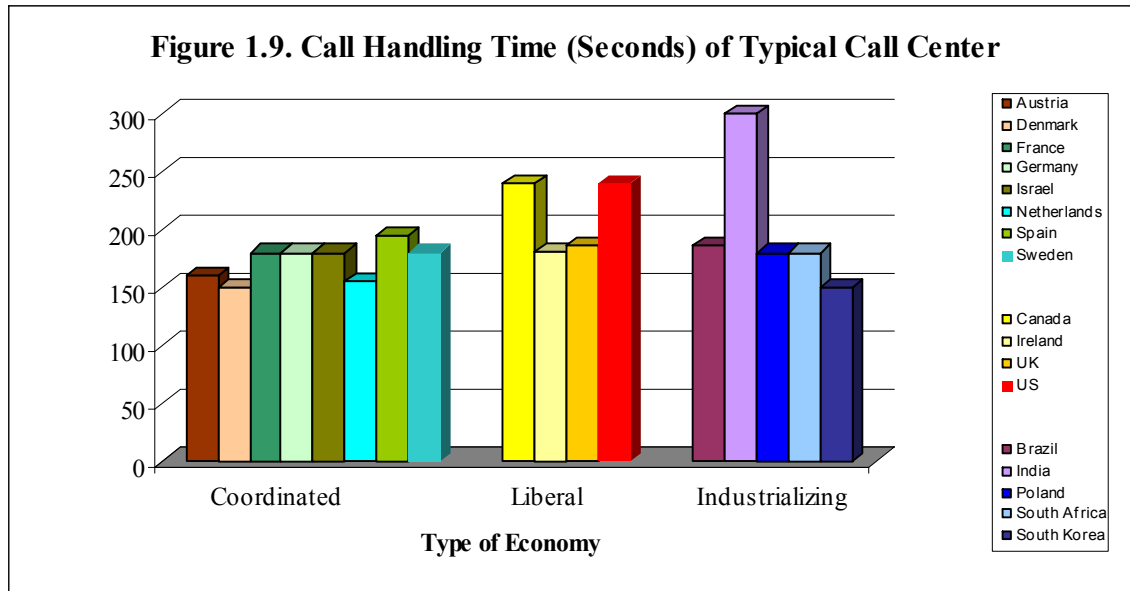
Managers have often reported similar reasons for hiring women: they have a non-threatening customer service demeanour and voice; there are cultural assumptions that women can be trusted; and they have good keyboarding skills.

Hours of operation: As call centers compete to provide greater convenience to customers, there is pressure to increase hours of operation to 24 hour coverage, 7 days per week. However, our survey finds that 20% have adopted this scheduling pattern with relatively little variation across countries. The rates of use are somewhat higher in the US, Poland, and Israel, where about one-third of centers are always open, and India, where a majority of centers report 24/7 hours of operation.

Call centers or 'contact centers?' Call center technologies are a major source of standardization in work practices. As call center technologies continue to advance, there has been considerable discussion in the sector about the shift away from 'call centers' – which only use telephony – to multi-channel 'contact centers' – which allow firms to serve customers through a variety of media: voice, email, fax, voice over internet protocol (VoIP). We asked managers in this study to identify the types of technology used in their call centers. Included were: email, fax, web enablement, VoIP, media blending, and electronic customer relationship management. Surprisingly, however, despite much discussion of these technologies in industry magazines, only a small minority of centers take advantage of these technologies. The typical

center in most countries continues to be low tech – using telephony, supplemented by fax and email; and we find little variation in this pattern across countries.

Call metrics. Call center technology also has the standardizing effect of making quite similar performance metrics available to call center managers. Electronic monitoring systems, for example, record the call handling time and number of customers per employee per day for every call center employee. Call centers keep track of the percent of calls handled in a specified target time – typically 20-30 seconds. The availability of these metrics allows managers to develop quite standardized requirements for employee work performance and behaviour.



The call handling time of the typical center provides one indicator of the relative standardization of work across call centers in different countries. The typical worksite in this report has an average call handling time of 190 seconds, or 3 minutes and 10 seconds. There is surprisingly little variation in this number across the wide range of countries in this study.

In sum, when we examine the markets, services, and broad organizational features of call centers, we see an emerging sector that looks quite similar across very different countries and national institutional environments.

In turning to the next section of the report, however, we will show how country differences and institutional norms do, in fact, matter, for particular dimensions of the employment system – especially the nature of work and employment relations, pay systems, and industrial relations systems.

PART II

The Global Picture: Divergent National Trends

Part I showed that many aspects of the call center sector have developed in similar ways across the countries in this study: that call centers have emerged in a similar time period, are mainly oriented towards their domestic markets, operate primarily as in-house, inbound operations, and employ a primarily female workforce. Indeed, whether a country's economy is classified as coordinated, liberal or recently industrialized does not seem to make much difference for these factors.

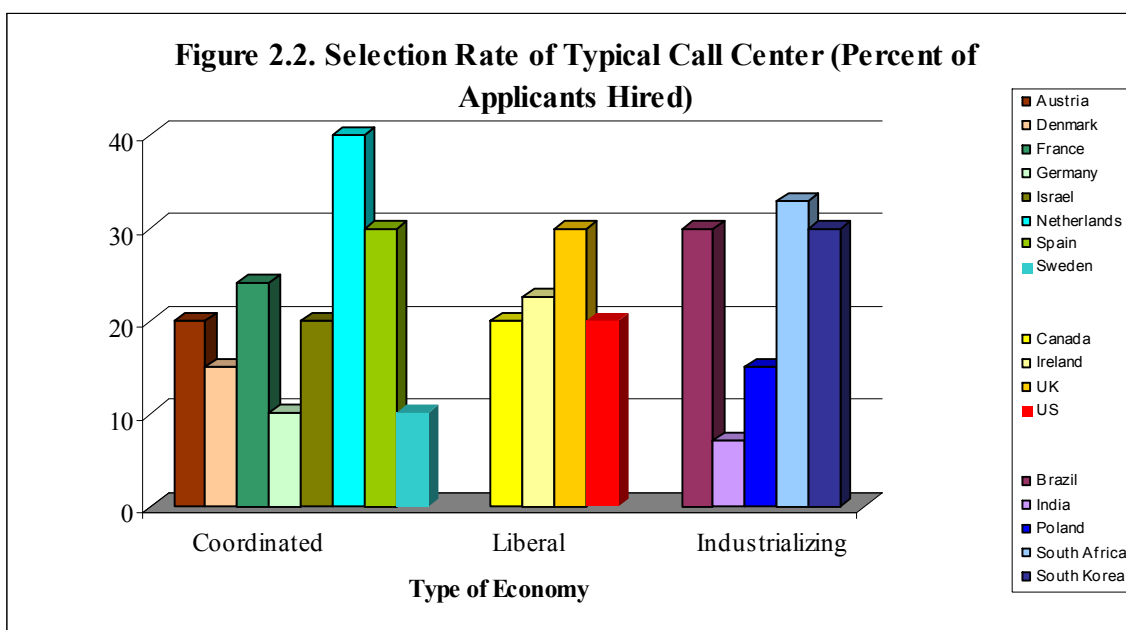
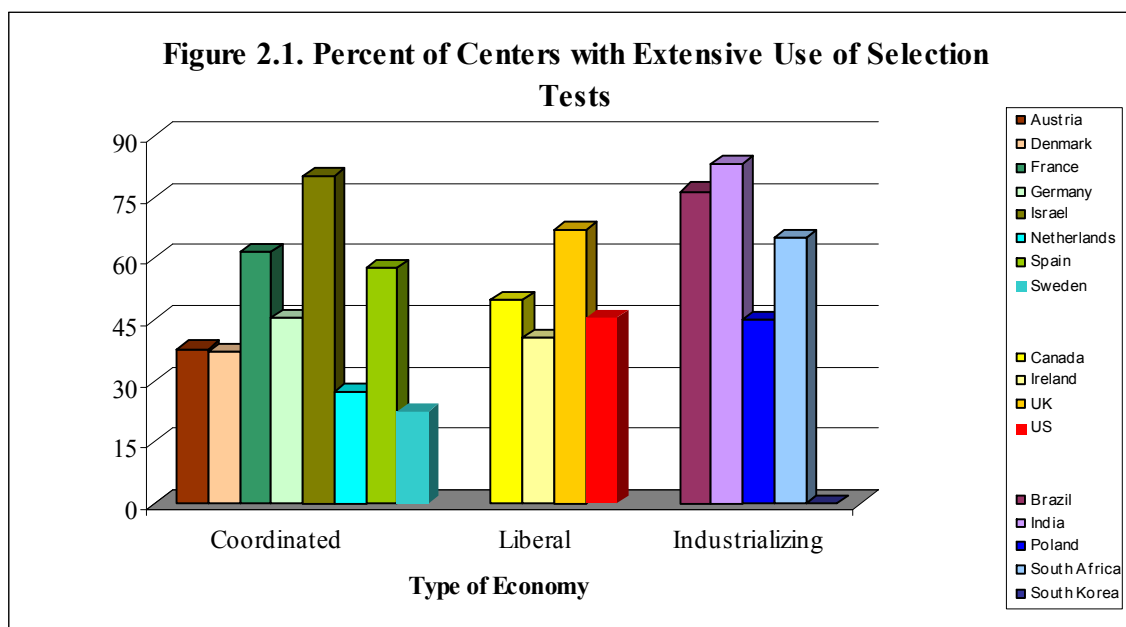
There are reasons to believe, however, that national differences will play a more important role in the organization of work, human resource, and industrial relations practices. Here, differences between coordinated and liberal market countries are likely to matter more. National labor market institutions and cultural norms are likely to shape or constrain alternative management approaches and outcomes for employees. Staffing strategies are influenced by the quality of the educational systems and local labor market conditions. Labor laws and regulations set rules governing the use of non-standard work arrangements and pay. Trade unions may also influence the quality of work design by resisting work practices thought deleterious to employee welfare.

We begin by examining selection, staffing, and training strategies; then move to work design, performance management, and pay systems; and collective representation.

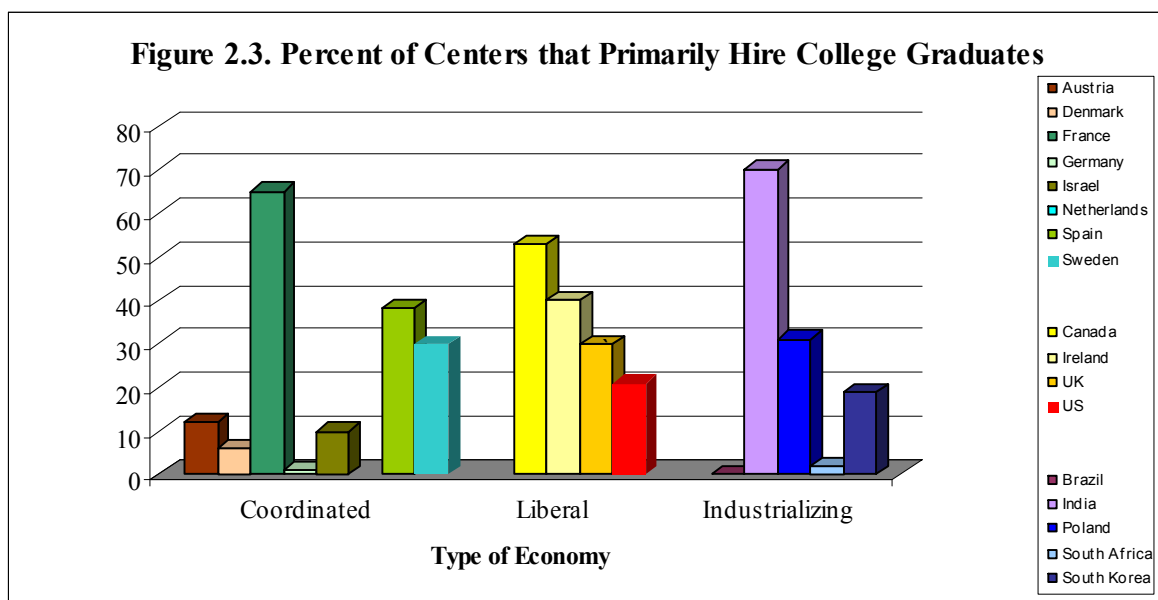
Selection

Employers have at their disposal a number of criteria for making selection decisions. Psychologists have developed an array of systematic tests (psychometric tests, aptitude tests, realistic job previews) designed to select the most talented applicants or those that best fit the demands of the job. Use of these selection tests is one indicator that management takes recruitment and hiring seriously and is attempting to be selective in the choice of entry level workers. Centers use them either for all employees or none at all. Overall, about 50% of call centers are high users of selection tests. Call centers in liberal and industrializing countries use selection tests more extensively than those in coordinated countries (see Figure 2.1). For example some of the highest users are Brazil, India, the UK, and South Africa, although exceptions are France and Israel.

The selection rate is the proportion of people actually hired relative to the overall pool of applicants. A relatively low selection rate means that a company is more selective – or said differently – that the employer is able to hire the best applicants from a large pool. The typical (or median) center in this study has a selection rate of 20 percent, meaning that every one in five applicants is hired. From Figure 2.2, it is evident that the countries with the lowest selection rates - that is the most selective - include India (7%) and Germany and Sweden (10%), whereas Netherlands (40%), and Korea, Brazil and Spain (all 30%), are the least selective. Differences between countries do not seem to depend on whether they are classified as coordinated, liberal, or recently industrialized.



But what are the typical skill levels of those being selected? While call center employment has the image of being low-skilled clerical work, most centers hire individuals with at least a secondary education degree (exceptions are Brazil and South Africa). Moreover, a minority of centers in this study – 22% – rely primarily on a university-educated workforce. However, given differences in national education systems, countries vary substantially in this regard. In India, where college education is a three-year process, over 70% of centers in our study report relying primarily on college graduates (a pattern consistent with other reports). France is a close second (at over 60% of centers relying on employees with 2 years of schooling at university level). Spain, Sweden, Ireland, and the UK have between 28% and 39% of centers that primarily use university educated workers with three-year degrees. In the US, 20% of call centers primarily use employees with a 4-year university degree, and another 12% employ workers with at least two years of college. Other countries make less use of university-educated individuals.

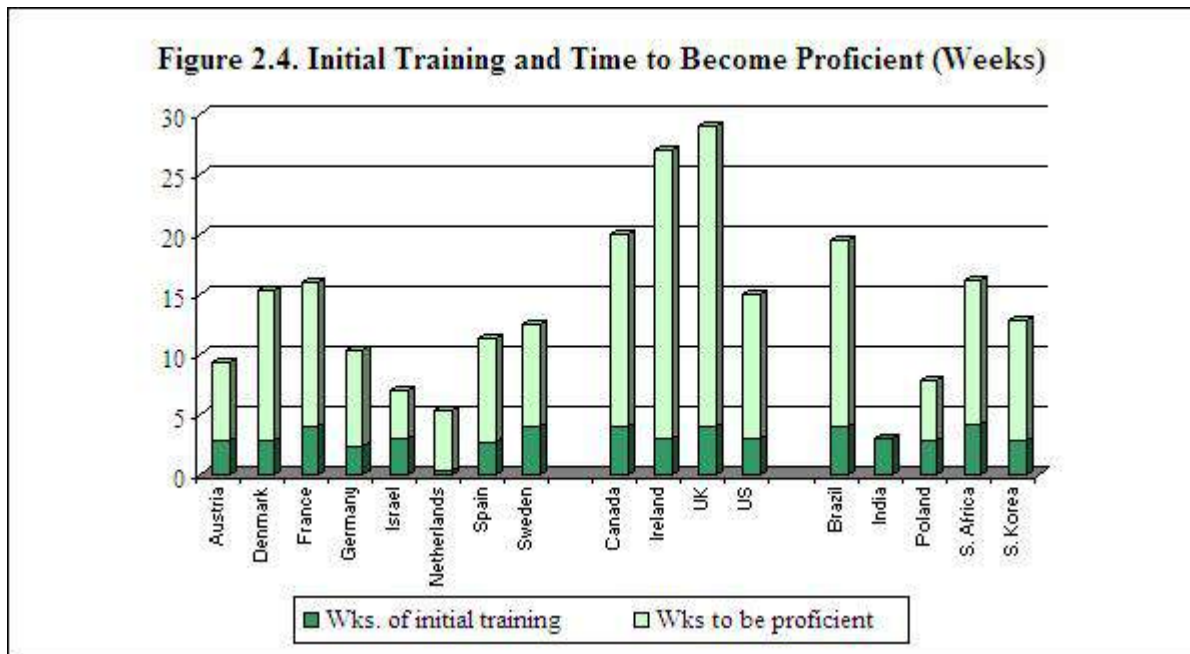


There may be many reasons for the use of college-educated workers. Some call centers have specifically located near college campuses to take advantage of student labor, and at least some of these students may continue working in call centers after graduating. Some college graduates may view call center work as a temporary or transitional job before fully entering the labor market, while others may face a tight labor market and work in jobs that under utilize their skills. Finally, some call center jobs – such as those providing tech services or serving large business - may require relatively professional skills.

Training

Employer investments in training are an important supplement to selection strategies in call centers because job skills and requirements are often based on firm-specific products and processes. Few countries have developed public training courses or certification procedures for call center workers. Even in countries such as Germany, Austria, the Netherlands, and Denmark, which are known for their apprenticeship systems, the occupation is so new that training systems have not been developed or institutionalized. Thus, employers need to provide initial training in specific products, software systems and technical processes, and sales or customer interaction skills.

Newly-hired workers typically receive 15 days - roughly three weeks - of initial training (see figure 2.4). This estimate is fairly consistent across countries. Beyond initial training, it takes an average of 11.5 weeks – or almost three months – for new workers to be proficient at their jobs. But here, we see large differences across different countries - from a low of 4 weeks in Israel to 25 weeks in Ireland and the UK – and also across different types of economies. Managers reported that agents take 8 weeks to become proficient in coordinated economies, 16 weeks in liberal market economies, and 12 weeks in industrializing economies. This variation could be due to several factors: differences in the formal educational level of new hires; in the complexity of products, services or technical systems; in management strategies regarding service quality; and, in management standards for what it means to be proficient or fully competent. We cannot shed light on these different explanations, but it is worthwhile noting that the level of complexity and time to become proficient in these jobs is highly variable across countries.



Beyond initial training, employees need on-going training to remain proficient and fully productive at work. On-going training may also be needed for updates in products and processes. In the typical call center, experienced agents receive an average of 6 days of training per year. There is, however, a cluster of countries in which experienced agents receive 10 days training a year. They include Germany, India, Korea, Poland, South Africa and Spain, while in Brazil experienced agents receive 15 days per year.

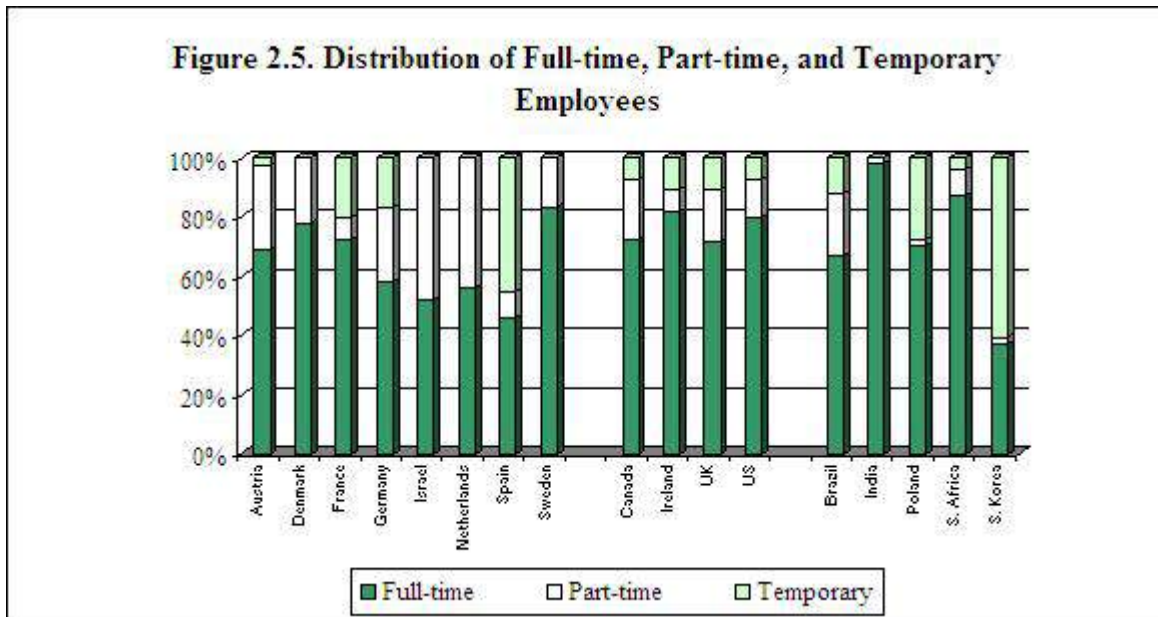
Staffing, Non-standard Work Arrangements, and Flexibility

Apart from decisions over selection and training, staffing decisions also entail what type of employment contracts employers choose to use: whether full-time, part-time, or some type of temporary contract. Demand forecasting is difficult for call center managers because of large fluctuations in call volumes. These fluctuations may occur on a daily, weekly, or seasonal basis; and they are often experienced more by sub-contactors than by in-house centers because the former often juggle several contracts at once and do not know when a client may decide to terminate a contract. As a result, call centers are known for their extensive use of part-time and temporary labor contracts to handle demand fluctuations, as well as to keep labor costs low.

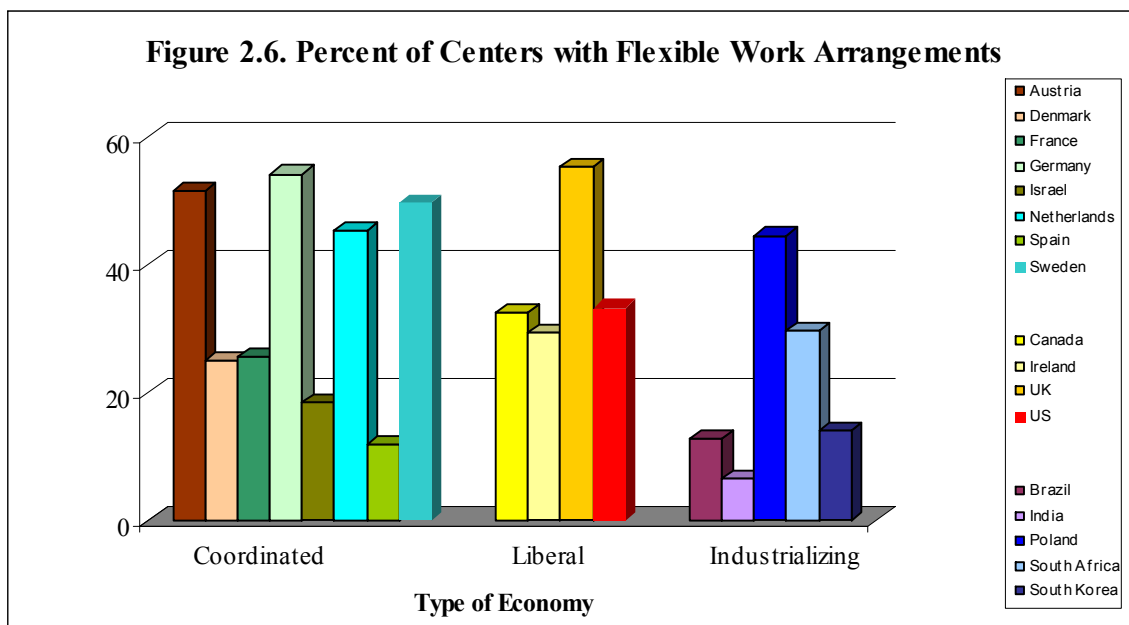
In the average call center, 71% of employees are full-time, 17% are part-time, and 12% are temporary workers. However, the differences in staffing patterns across countries are substantial and merit closer examination. The average Indian call center has the highest proportion of permanent full-time agents (with 97%), followed by South Africa (with 88%), and this is probably related to employer investments in training and language neutralisation.

Coordinated economies make the greatest use of non-standard work arrangements, with the average center employing temporary or part-time workers in 33% of the jobs. Particularly large users of part-time workers include call centers in Israel (48%) and the Netherlands (46%), while the average Spanish call center has 44% of its workforce under temporary contracts (see Figure 2.5). Some have explained this high usage as a reaction to restrictive employment protection laws that make it difficult to fire permanent employees, and our field research suggests that this is the case in these countries. More importantly, in most of these countries, labor laws require that part-time employees receive the same hourly pay as full-time

employees. Thus, using part-time contracts allows employers greater labor market flexibility, but not at the expense of lower hourly wages for employees. Denmark, by contrast, resembles the patterns found in the liberal market economies, perhaps in part because labor mobility is comparable to that found in the US and Canada.



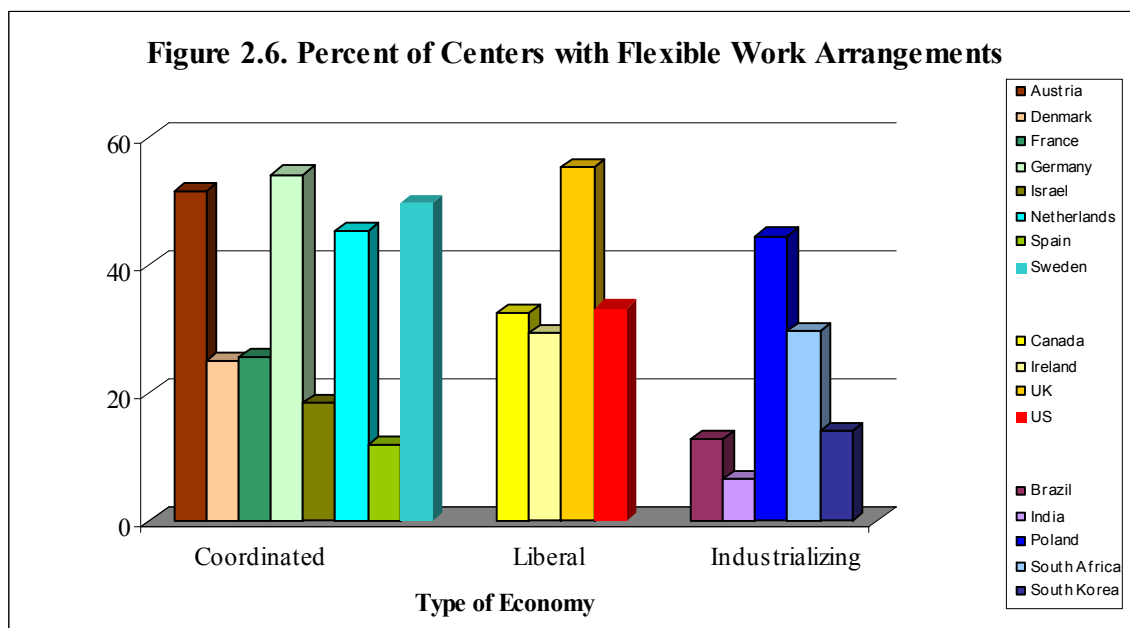
Among recently industrialized economies, there are large differences among countries: in India, virtually all of the call centers in the study relied on full-time workers; while in South Korea, the average call center had 60% of its workforce under temporary contracts. Our field research suggests that these patterns depend not only on labor market regulation but on the specific histories and market conditions in countries at the time the call center sector emerged. In India, employers prefer full-time workers because of the high initial investment they must make in language neutralization and training. In South Korea, call centers emerged just after the Asian economic crisis in 1997, and employers sought ways to cut labor costs and avoid union contracts. Temporary labor contracts spread rapidly, becoming a norm throughout the call center sector.



Finally, whether employers provide flexible work arrangements - such as job sharing, telecommuting, and flexi-time - can be an important source of flexibility for workers in balancing demands for work and family. Here, we find that 35% of call centers do not offer employees any of these work arrangements. However, over 40% of call centers in Austria, Germany, the Netherlands, Sweden, and the UK do provide these alternatives (Figure 2.6).

Work Organization

Work organization is a controversial dimension of employment in call centers. On the one hand, call center technologies allow for high levels of standardization and scripting of texts, which can raise call handling efficiencies. On the other hand, employees frequently complain of boredom or stress from high levels of routinisation and repetition. Prior research on call centers demonstrates that low job discretion and high performance monitoring is associated with higher levels of anxiety, depression, emotional exhaustion, and lower levels of job satisfaction.

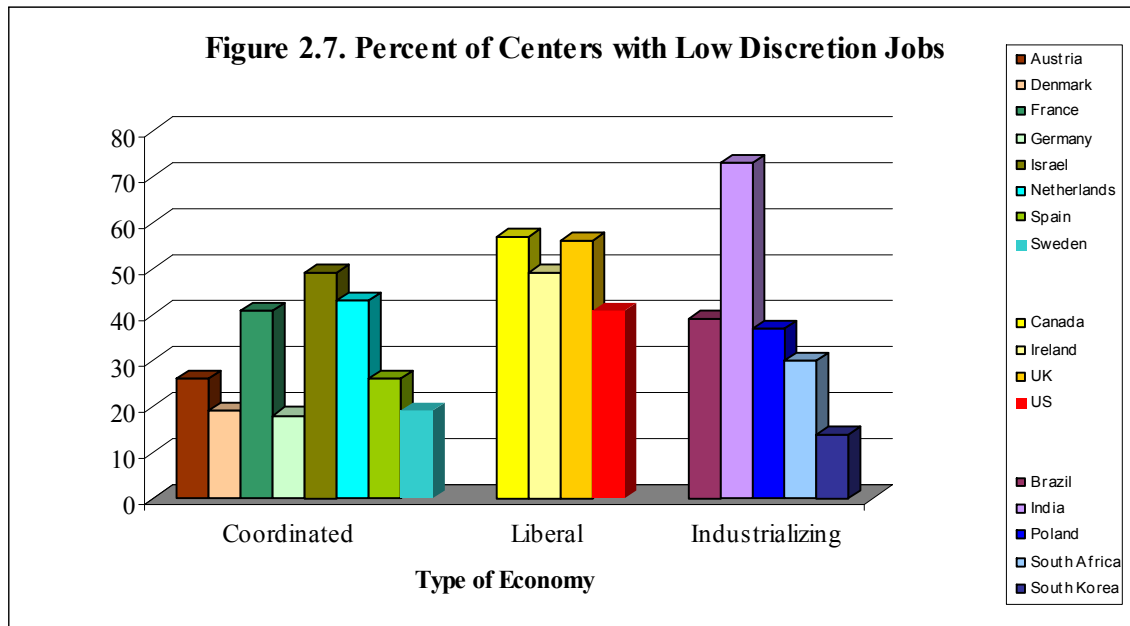


We examined three aspects of work organization in this study: job discretion, performance monitoring, and team work.

Job discretion. Job discretion refers to the amount of choice that agents have when doing job tasks. We asked about discretion over the pace of work, work methods and procedures, the timing of breaks and lunches, how agents complete a task, and how they respond to customers. On average, managers rate agents' jobs as having relatively low discretion: 2.6 on a 5 point scale where 1 is 'none at all' and 5 is 'a great deal'. That is, call center jobs in general provide relatively few opportunities for employees to exercise their independent judgment. This finding is consistent with research based on agents' perceptions of their jobs.

However, there are substantial differences across countries. In Figure 2.7, we show the percentage of low discretion jobs in each country (defined as 2.6 or lower on the 5 point scale). In general, compared to coordinated economies, liberal market economies have a much larger share of jobs with low discretion – an average of 51% of jobs compared to only 30% in the coordinated economies. In Austria, Denmark, Germany, Spain, and Sweden, call center

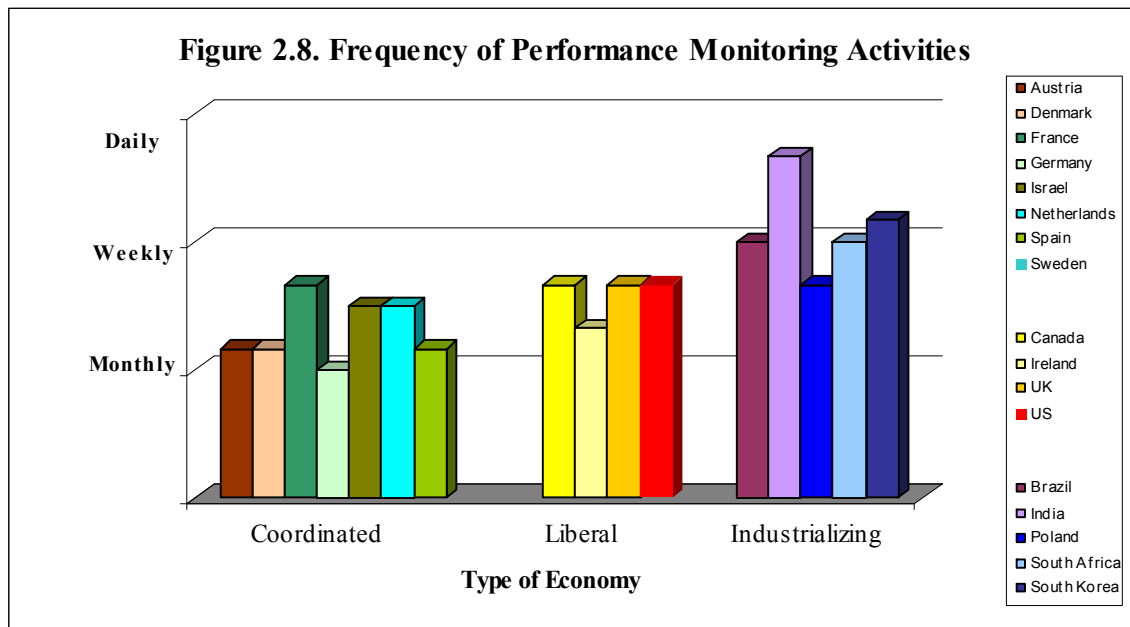
workers have higher levels of job discretion. By contrast, over 55% of the jobs in Canada and the UK offer few opportunities for employees to make independent decisions. Among the recently industrialized countries, there is large variation. Among all countries, India stands out as unique, with almost three-quarters of the jobs offering very little opportunity for employees to make independent decisions about their work.



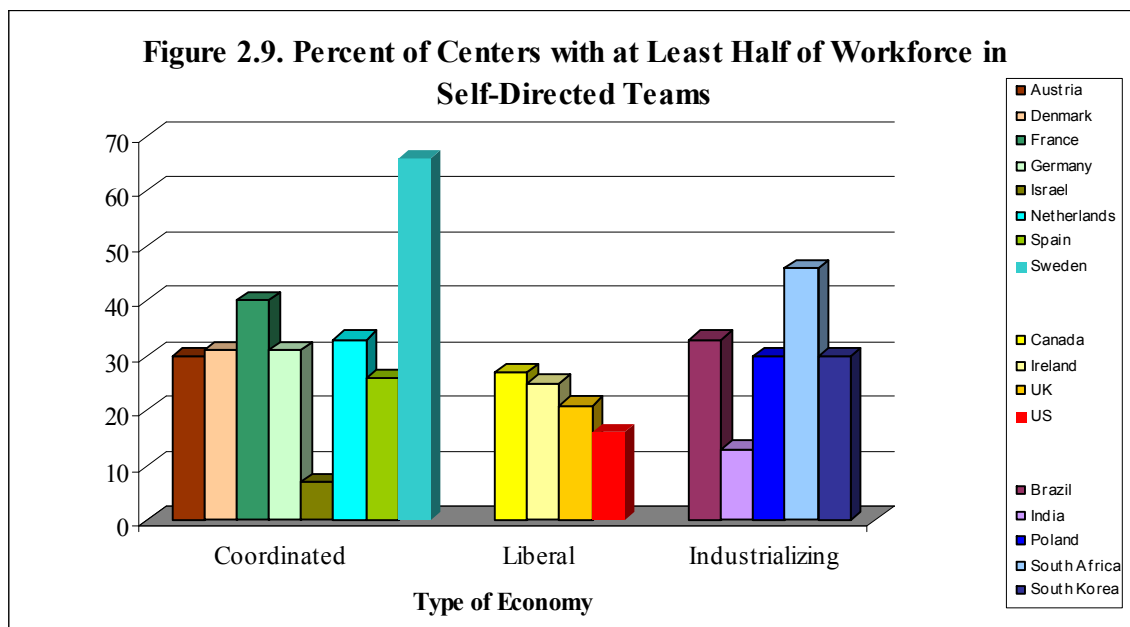
Performance monitoring. Performance monitoring is widespread in call centers as technology provides tools for the on-going collection of agent productivity data – such as call handling times, task times, and call waiting times.

Managers have considerable choice, however, in how they use that technology. Supervisors can listen in on employees' calls and provide feedback on performance on a daily, weekly, monthly, or quarterly basis. Performance monitoring provides a mechanism for quality control, and when used constructively, for employee skill development. However, frequent performance monitoring and feedback can signal to employees that management does not trust them to do their job well. And employees often complain that the lack of privacy and constant exposure to management observation increases stress at work. Monitoring systems in call centers are one of the more contested areas in the organization of work in call centers.

To assess the level of performance monitoring, we asked how frequently supervisors monitor agents' calls and how frequently agents received feedback on productivity and on quality on a scale ranging from never to quarterly, monthly, weekly, to daily. We combined these questions to create an average monitoring score. Figure 2.8 shows that in the typical call center each of these performance monitoring activities occurs on a bi-weekly basis, but differences across countries and economies are evident. The intensity of monitoring is considerably greater in the recently industrialized economies - where each performance monitoring activity typically occurs at least once a week or more - than it is in either the coordinated or liberal market economies. Performance monitoring activities typically occur monthly in coordinated countries, and bi-weekly in liberal countries. India has the highest performance monitoring activity of several times a week.

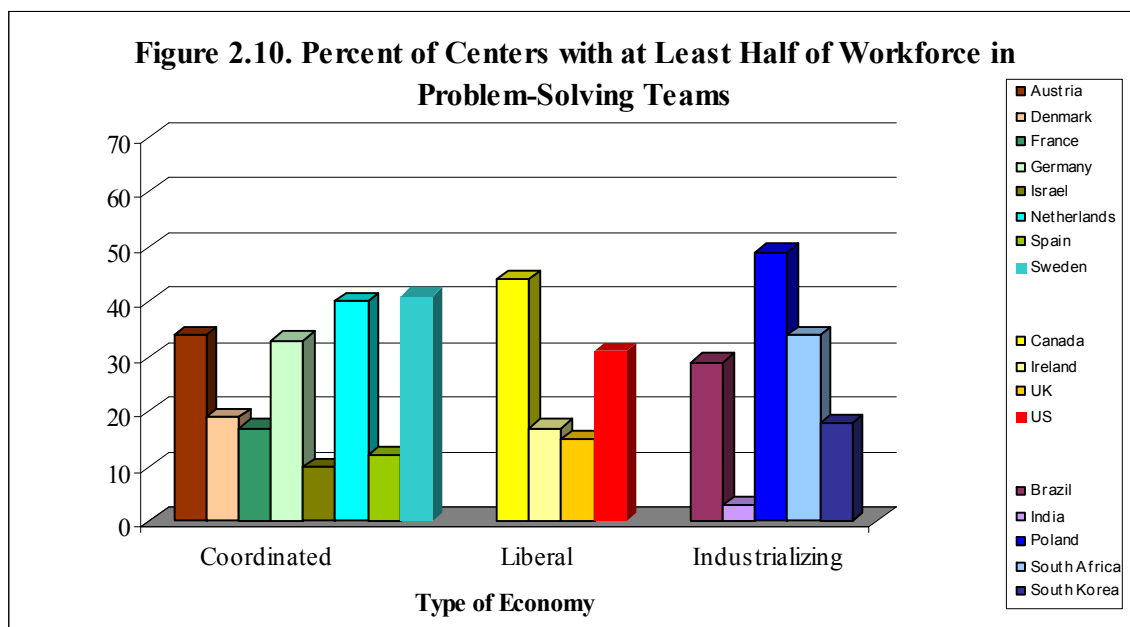


Teamwork. Work and technology in call centers are organized primarily to manage how individual employees interact with customers – hence the careful attention to individual job design and performance management. Other approaches to organizing work – the use of self-directed teams or quality improvement groups – have become widespread in many industries. Managers of call centers, however, have been slow to adopt these techniques. Many view them as undermining the efficiency of the call center production model – with its high levels of standardization and individual monitoring, and low levels of discretion. However, these alternative approaches have been successfully adopted in mass production manufacturing, where conformance to operations management standards is clearly as important as it is in call centers. Research in call centers has shown that productivity and sales are higher at worksites organized on the basis of self-directed teams.



Semi-autonomous teams are work groups “in which employees make their own decisions about task assignments and work methods.” Usage rates are low. With two exceptions, about 60% of call centers in each country report that they make little or no use these teams. Those worksites that do make use of teams, however, seem to involve a large proportion of the workforce. Thus, almost 30% of workplaces have at least 50% of the workforce organized into teams. The leader is Sweden, long known for its experiments in self-directed work teams, with over 60% of call centers organizing a majority of the workforce into teams (Figure 2.9). South Africa also has a high rate of use, with 46% of managers reporting the use of teams for a majority of employees.

Problem-solving groups provide opportunities for employees to meet with supervisors on a regular basis; they can be the source of learning, problem solving, and performance improvement. We asked managers whether they used these teams, and if so, what proportion of the workforce was involved. In contrast to self-directed teams, almost 80% of call centers use problem-solving groups. However, the percentage of the workforce involved is quite low, suggesting that these teams are used on an ad hoc basis with small numbers of employees to discuss particular issues rather than as part of a formal continuous improvement programme (Figure 2.10). Problem-solving teams are not a regular feature of work life for the majority of employees.

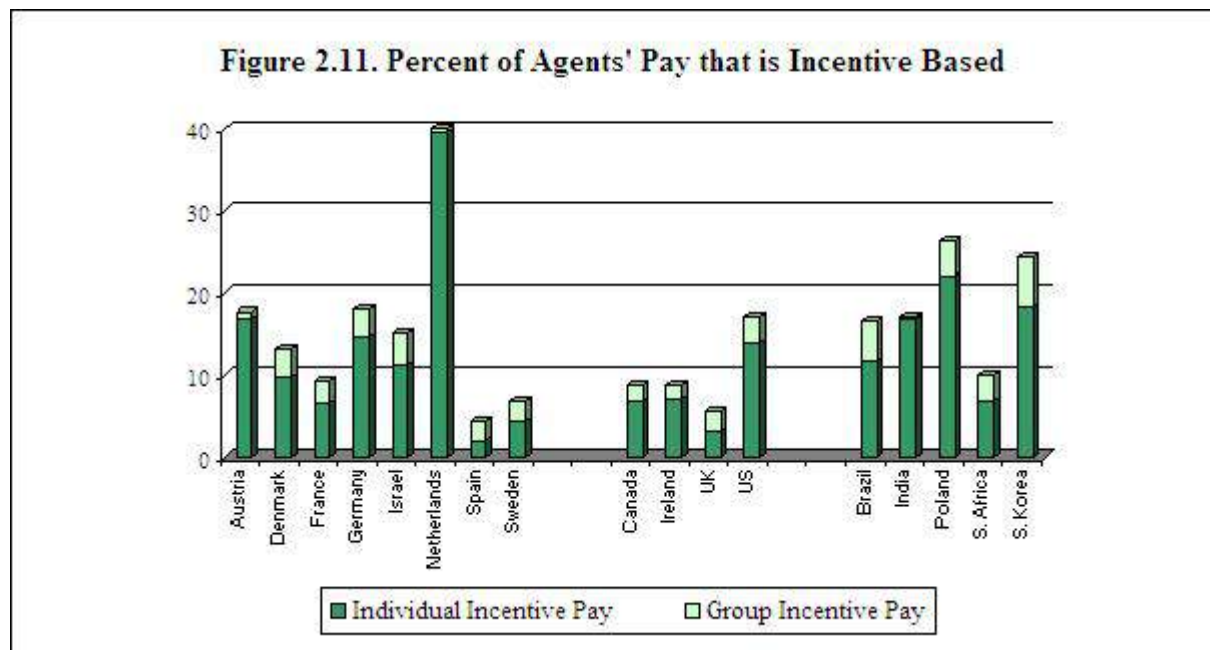


Compensation Strategies

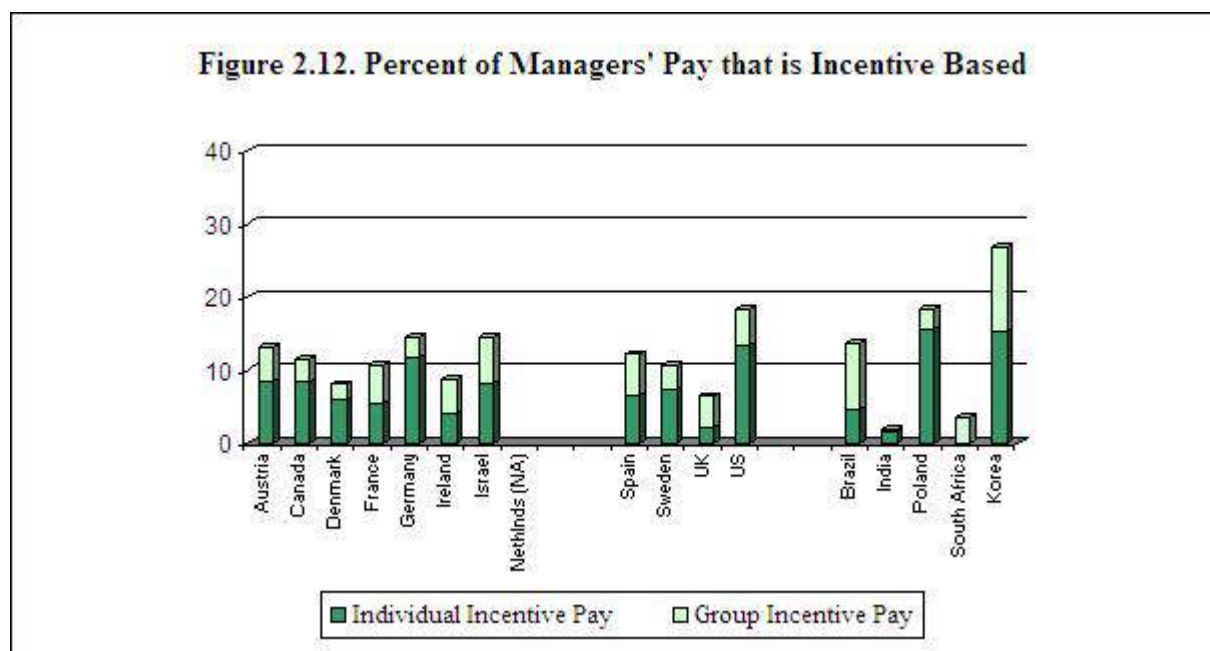
Pay for performance compensation strategies have become popular over the last decade or so, and we find that they have spread to call centers in most countries. On average across all countries in this study, 15.3% of agents pay is performance-based. However, because these centers are often focused on sales, and do not use team-based forms of work organization, individual sales incentives or commission plans are more prevalent than group-based plans, and we find this to be true across all of the countries in the study. Individual incentives account for 12.5% of pay, on average, while group incentives amount to 2.9%.

However, the proportion of an agents pay that is performance-based differs markedly across countries – from a low of 4.4% in Spain to a high of 41% in the Netherlands. Differences in

use of incentive pay do not seem to vary according to whether countries have coordinated, liberal, or recently industrialized economies. They vary on a country by country basis.



A similar pattern exists for managerial pay, but surprisingly, managers have lower levels of performance-based pay than do agents in most of the countries in the study. Incentive pay averages 12.8% of managerial pay, divided between individual incentives (8.5%) and group incentives (4.3%). Again, the variability in strategies across countries is notable (see Figure 2.12).



Collective Representation

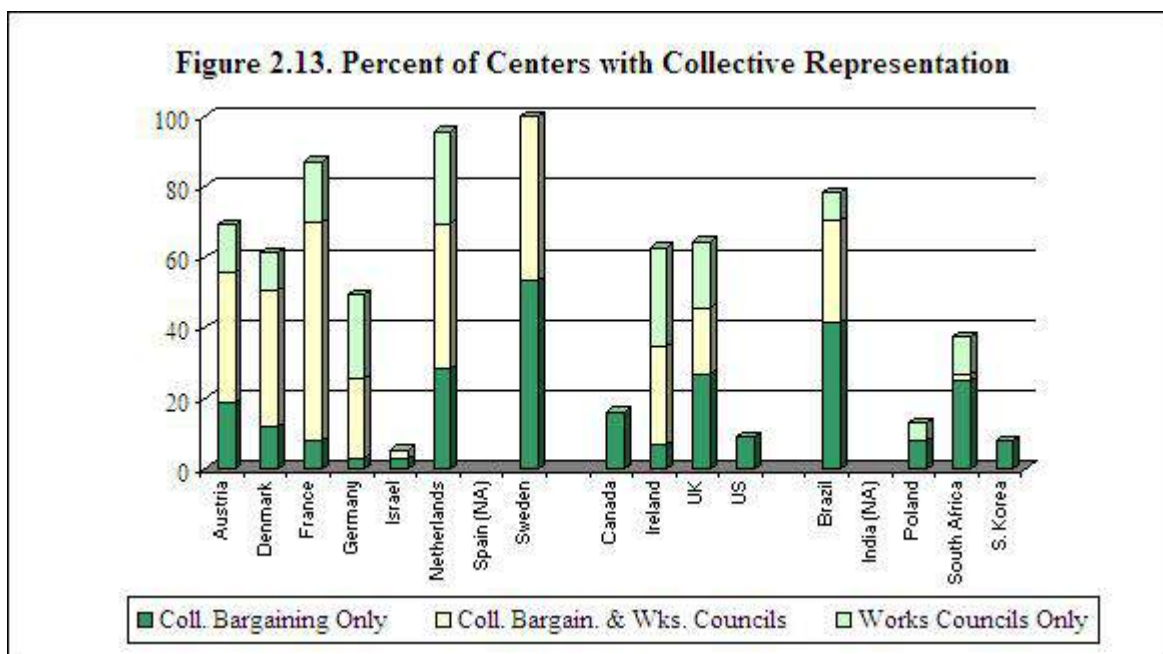
Industrial relations systems differ substantially from one country to another in terms of the extent of union coverage and the rules governing collective bargaining. These differences have important implications for the level of wages and wage inequality across countries.

One of the most important differences is the level of centralization or coordination in collective bargaining. In the coordinated economies, collective bargaining historically has occurred between unions and employers associations at the industry or sectoral level. The negotiated wage often is extended to other employers, regardless of whether they are parties to negotiations or whether their employees are union members. This tends to reduce overall wage inequality. In the liberal market economies, by contrast, industrial relations systems are quite decentralized, and collective bargaining typically occurs at the firm-level or lower, resulting in large differences in wages across industries, across firms in the same industry, and even across worksites in the same firm. The recently industrialized economies in our study also tend to have relatively decentralized systems, with large differences in wages and working conditions across firms.

Whether these historic differences apply to the call center sector, however, has been a subject of debate. On the one hand, where firms are already covered by collective bargaining, then the ‘in-house’ centers set up by those firms should also be covered by collective agreements. Union coverage in call centers would reflect the level of union organization in the sector as a whole. If aggregated across sectors, we would expect collective bargaining coverage in call centers to reflect national patterns. Thus, call centers in coordinated economies should have higher levels of union representation and lower wage inequality than those in liberal and recently industrialized markets. On the other hand, if call centers are set up as subsidiaries or as outsourced centers, then they are unlikely to be covered by unions or collective agreements - even in the coordinated economies (except the Netherlands and France where a national bargaining structures for outsourced centers have emerged).

Works councils provide another form of collective representation. While the regulations governing works councils differ from one country to another, these councils generally provide a forum for elected employee representatives to consult with management over working conditions and workplace restructuring. Union representatives may serve as works council representatives, but the two forms of representation are distinct. Some workplaces have active unions and active works councils, while others have only unions, only works councils, or no representation at all. Canada, the US, India, and South Korea have no works council legislation.

In general, we find a relatively high level of collective bargaining and works council activity in call centers. Forty percent of call centers are covered by collective bargaining agreements or bargaining agreements plus works councils. Just over 50% have some form of collective representation. And as expected, the coordinated economies have considerably higher levels of representation than either the liberal market or recently industrialized economies. Among the continental EU countries (except Poland), 62% of centers have collective bargaining agreements or collective bargaining agreements plus works councils, and 77% have some form of collective representation (see Figure 2.13).



Liberal and recently industrialized economies, by contrast, look quite different: while Ireland and the UK have considerable collective bargaining coverage (35% and 46% respectively), Canada and the US have quite low coverage (16% and less than 10% respectively). Similarly, while Brazil has considerable collective bargaining coverage (70%), and South Korea and Poland have less than 10% each.

Earnings levels and collective bargaining. Annual earnings were defined as basic pay plus all performance-related pay, (including individual and group commission, and profit sharing) but excluding overtime pay. We converted these pay levels to US dollars using the exchange rate current at the time of the country's survey. It is not meaningful to compare earnings across countries because they fail to take into account tax levels, benefit levels, and the cost of living, among other differences. However, it is meaningful to compare the earnings of different groups of employees within each country, and in Figure 2.14 we present the annual earnings of employees in centers covered by collective bargaining versus those that are not. We report the typical annual earnings of full-time agents and managers. By typical (median), we mean that about half of the sample is paid more and half is paid less.

Figure 2.14 shows that, in call centers covered by collective bargaining, wages are higher than in call centers not covered. The differences for agent wages are statistically significant in all countries except Austria, Sweden, Israel, Poland, South Africa, and the UK (there is no union data for India and Spain). These differences in earnings may be due to various factors, such as sector location, customer markets served, whether a center is in-house or outsourced, the complexity of tasks, or human capital – factors that are not taken into account in Figure 2.14. In Brazil, union call centers show significantly lower wages, although this may be due to sectoral or other factors that we were unable to account for.

The earnings differential for managers is smaller in magnitude, and the differences are statistically significant in Austria, Ireland, Canada, and the US.

Figure 2.14. Earnings of Agents & Managers, by Collective Bargaining Coverage

	<i>Agents Median Pay (US\$)</i>			<i>Managers Median Pay (US\$)</i>		
	Covered by Collective Bargaining Col. A	Not Covered by Collective Bargaining Col. B	% Difference Col. A/B	Covered by Collective Bargaining Col. D	Not Covered by Collective Bargaining Col. E	% Difference Col. D/E
Coordinated						
Austria	16,075	15,181	6%	60,241	48,193	20%
Denmark	44,516	40,323	9%	66,567	62,581	6%
France	22,386	19,188	14%	40,590	39,360	3%
Germany	34,776	26,208	25%	79,380	69,300	13%
Israel	10,000	8,800	12%	18,667	16,000	14%
Netherlands	16,022	12,526	22%	61,920	56,889	8%
Spain (NA)	14,640	14,640	0%	63,440	63,440	0%
Sweden	30,375	30,375	0%	42,606	42,606	0%
Average	23,599	20,905	11%	54,176	49,796	8%
Liberal						
Canada	40,000	29,000	28%	70,000	51,000	27%
Ireland	29,400	26,730	9%	67,500	48,000	29%
UK	27,300	25,480	7%	49,140	49,140	0%
US	35,000	27,250	22%	64,000	60,000	6%
Average	32,925	27,115	18%	62,660	52,035	17%
Industrializing						
Brazil	3,415	4,484	-31%	23,630	21,525	9%
India (NA)	2,489	2,489	0%	8,222	8,222	0%
Poland	7,613	6,344	17%	18,300	17,538	4%
South Africa	11,029	10,588	4%	24,044	32,059	-33%
S. Korea	19,105	13,026	32%	34,736	30,394	13%

PART III.

The Business-level Picture: Drivers of Differences between Firms

In this part we consider business-level factors that explain why call centers differ. We focus on two business strategies that influence work organization and human resource practices: outsourcing and customer segmentation strategies. As we have shown, all of the countries in this study have some proportion of call centers operated by subcontractors – averaging about one-third of all centers, and ranging from a low of 13% in the US to 80% in India. Customer segmentation strategies allow companies to differentiate service activities according to the demand characteristics of customer groups – typically by product, task, or value-added. This differentiation, in turn, allows the call center to take advantage of specialization in workforce skills and labor allocation.

Subcontractors and In-house Call Centers

Prior research shows that companies frequently use subcontractors to reduce costs or to carry out tasks that are transactional in nature or that the firm considers not to be core competencies. Pressures to keep costs low may reduce wage rates and the use of ‘high-cost’ sophisticated human resource practices, while increasing the need for higher efficiencies (e.g., more calls per person, shorter call lengths).

Outsourcing also involves risks for companies, as they have little direct control over the quality of operations. As a result, client firms often insist on vendor agreements that spell out in great detail the procedures to be used by subcontractors to ensure quality control. This may result in clients closely monitoring the operations of subcontractors – and to an overall reduction in the discretion of both the managers and the agents in subcontractors. Subcontractors also juggle multiple contracts and face considerable uncertainty in demand as they do not know when they may get new contracts or lose existing ones. Hence, they are likely to use more flexible staffing strategies compared to in-house operations.

The findings in this section show that subcontractors are different from in-house centers in virtually all of the countries in the study: they are newer market entrants and more likely to serve the international market; they are larger in size and more likely to focus exclusively on sales and outbound calls. They make greater use of part-time and temporary workers, offer lower discretion jobs, have higher levels of performance monitoring, pay lower wages, and are less likely to be covered by union contracts. We describe these patterns in detail below.

Markets and organization. Subcontractors differ from in-house centers in the markets they serve. Twenty-three percent of subcontractors serve international customers compared to 9% of in-house call centers. However, among the countries in this study, international subcontractors are disproportionately located in three countries: Canada, India, and South Africa. When these three countries are excluded, the differences between subcontractors and in-house centers in the rest of the countries are smaller: 11% of subcontractors versus 6% of in-house centers serve international markets. Subcontractors, on average, are also newer entrants to the market: the typical subcontractor is about two years younger than the typical in-house center.

Subcontractors are typically larger than in-house centers. The typical size of a subcontractor is 77, compared to 41 employees for in-house centers. This pattern holds across all the countries

in the study (except South Africa). Subcontractors also employ 56% of all call center employees, even though they only make up 33% of all call centers.

Types of customer services. In addition to differences in market orientation and size, subcontractors differ from in-house centers in the types of services they offer: they are significantly more likely to focus exclusively on sales. On average, 36% of subcontractors focus exclusively on sales to existing and new customers, compared to 14% of in-house centers. The difference between in-house and subcontractors is more marked in certain countries. For example, 53% of French subcontractors focused exclusively on sales, while only 14% of French in-house call centers do so; while subcontractors in Spain (15%) and South Korea (12%) are much less likely to focus exclusively on sales. Figure 3.1 shows that, a higher proportion in-house call centers have a customer service orientation that primarily involves customer service only or a combination of sales and service.

Figure 3.1. Percentage of Centers Providing Different Types of Services

	Subcontractor	In-House
Service Type (%)		
Sales only to existing or new customers	36	14
Service & Sales	22	35
Service Only	43	51
Inbound and Outbound Calls		
Inbound	59	88
Outbound	41	12

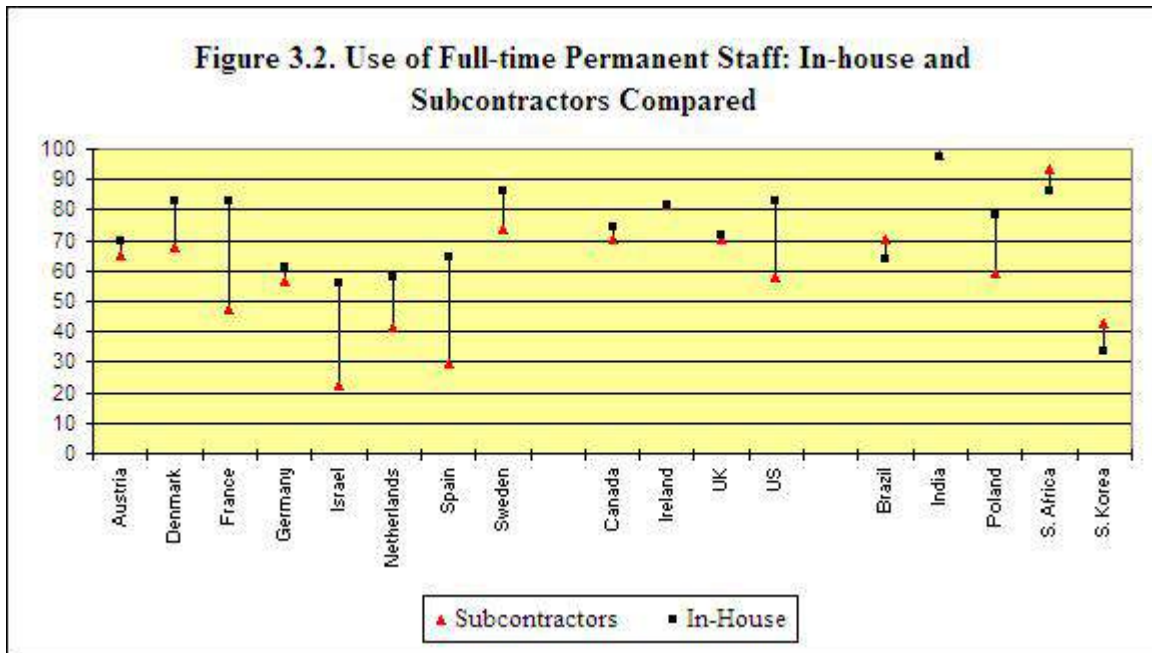
The majority of subcontractors and in-house call centers deal primarily with inbound calls, but subcontractors are significantly less likely to deal with inbounds calls, and more likely to deal with outbound calls. In this study, 88% of in-house centers deal with inbound calls, while only 59% of subcontractors do so. Overall, the findings suggest that subcontractors are more likely to specialize in outbound sales and telemarketing compared to in-house centers.

There are no significant differences in the median call times between subcontractors (3mins, 17 seconds) and in-house call centers (3mins, 20 seconds) but agents in subcontractors typically handle 80 calls per day, which is significantly higher than the 65 calls per day that agents in in-house call centers typically handle.

Human resource and industrial relations practices. Subcontractors and in-house centers do not differ significantly in their adoption of call center technologies or in their use of sophisticated selection tests, or performance-based pay. But a number of differences in human resource practices and work organization are salient. As the tables and charts below indicate, subcontractors are significantly less likely to use permanent, full-time staff or to invest in new hire training. The jobs in subcontractor centers tend to be of lower complexity and to offer lower earnings to both workers and managers. These attributes are consistent with a cost focused business strategy.

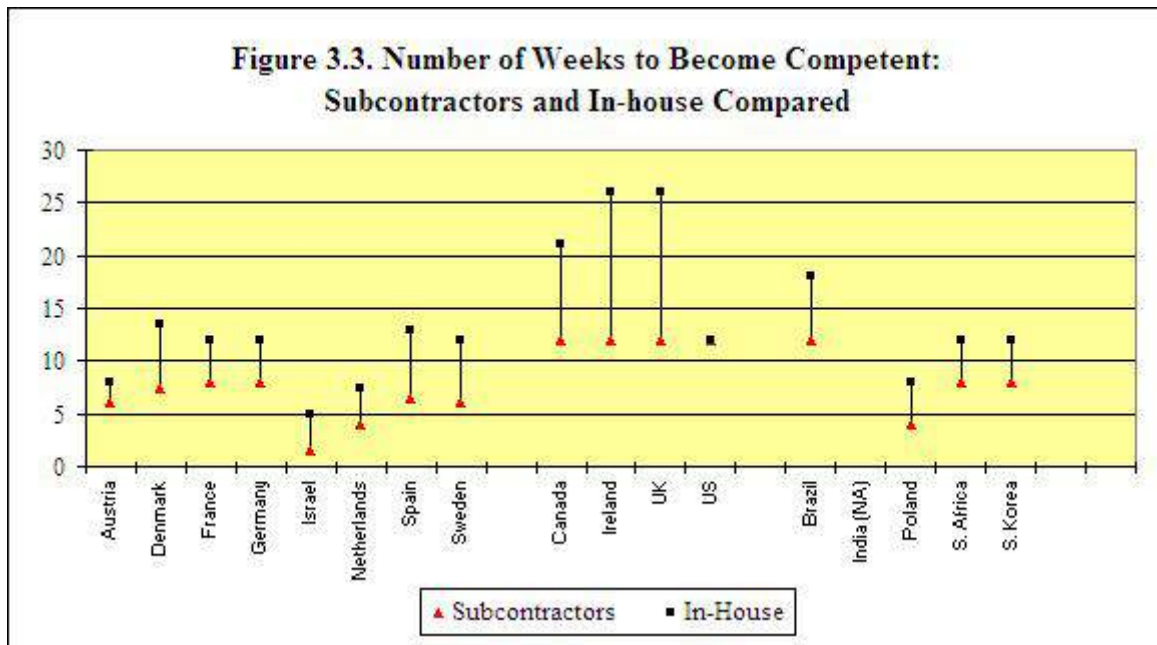
Fulltime vs. contingent staffing. Compared to in-house centers, subcontractors hire a significantly lower proportion of full-time permanent employees. In the average subcontractor, 63% of agents have full-time contracts, compared to 74% in in-house centers. Subcontractors rely more heavily on part-time and temporary staff. The average subcontractor employs 20%

of staff on permanent part-time contracts, as opposed to 15% in in-house call centers; and the average subcontractor employs 15% of staff on full-time temporary contracts, as opposed to 10% in in-house call centers. Figure 3.2 shows the percentage of full-time employees in in-house centers versus subcontractors for each country in the study. As can be seen, in the majority of countries, in-house centers have a higher percentage of full-time employees than subcontractors.



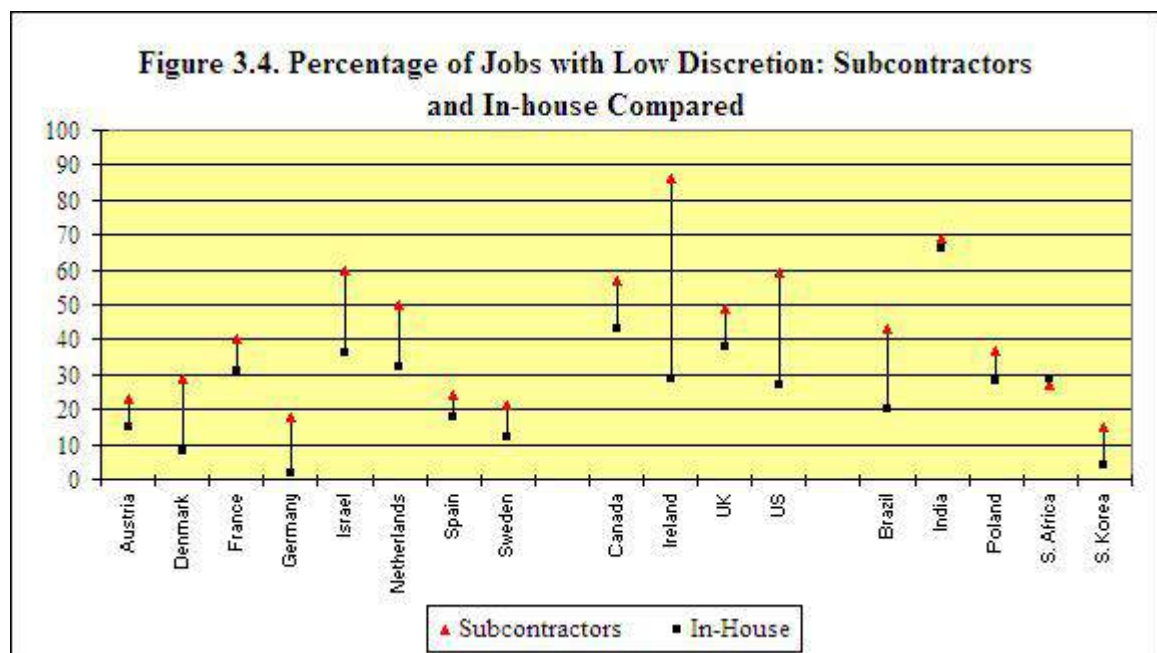
We have already described the differences between countries with regard to staffing strategies, but the differences between in-house and subcontractors are more marked in certain countries. For example, Danish subcontractors employ 31% of employees using part-time permanent contracts, compared to 17% in in-house call centers; while French subcontractors employ 39% on full-time temporary contracts, compared to 12% in in-house call centers.

Training. Subcontractors invest significantly less in the initial training of new hires: almost 50% less. While the typical subcontractor provides 14 days of initial training, the typical in-house center provides 20 days. This pattern is quite similar across countries. It is also in keeping with the fact that client firms typically outsource the more transactional, less complex work to subcontractors; and one indicator of job complexity is the time on the job it takes for a newly hired employee to be fully competent. We found consistent and significant differences between in-house centers and subcontractors in almost all of the countries in the study. In subcontractor centers, the typical employees takes about 14 weeks to become fully qualified, while in in-house centers the time required is 20 weeks (Figure 3.3).



Work design. Subcontractors are also more likely to have jobs that offer lower discretion and higher performance monitoring. They do not differ markedly in their use of teams.

Figure 3.4 shows the percentage of jobs with low discretion. Forty-eight percent of subcontractors reported jobs with little or no discretion, compared to 35% of in-house center managers.



Broken down further, it is evident that agents have very low levels of job discretion in 15% of subcontractors, whereas very low levels of job discretion are found in only 6% of in-house call centers.

Performance monitoring is typically higher in subcontractors. It typically occurs on a weekly basis in subcontractors centers, compared to a monthly basis in in-house centers. These patterns are consistent with the fact that client firms are likely to insist on high levels of standardization and monitoring as a mechanism for ensuring quality control. There is little difference with regard to team working. For example, 28% of subcontractors and 30% of in-house call centers have more than half of employees engaged in problem-solving groups.

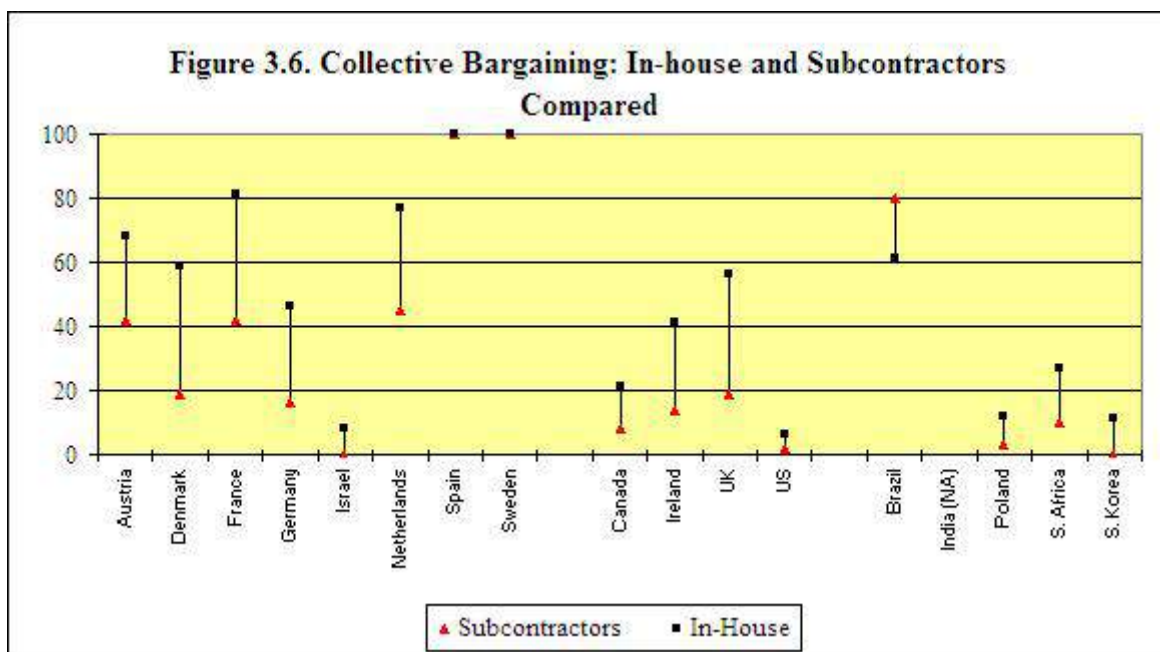
Annual earnings Another indicator of the differences between in-house and subcontractors centers is the annual pay that employees receive. Figure 3.5 shows the percent difference in the annual earnings of agents and managers in in-house centers versus subcontractors for each country. We report the typical annual earnings of full-time employees in the typical call center. By typical (median), we mean that about half of the sample is paid more and half is paid less.

Figure 3.5. Typical Annual Earnings of Call Center Agents & Managers (US\$): In-house Centers & Subcontractors Compared							
	Call Center Agents				Managers		
	In-house Centers	Sub- contractors	% difference		In-house Centers	Sub- contractors	% difference
	Col. A	Col. B	Col. A/B		Col. D	Col. E	Col. D/E
Austria	\$16,867	\$14,506	16.28		\$50,602	\$56,626	-10.64
Denmark	\$44,516	\$36,774	21.05		\$66,129	\$56,452	17.14
France	\$22,755	\$18,450	23.33		\$41,820	\$36,900	13.33
Germany	\$33,264	\$26,208	26.92		\$75,600	\$66,150	14.29
Israel	\$9,333	\$8,507	9.72		\$16,267	\$18,667	-12.86
Netherlands	\$16,770	\$11,610	44.44		\$61,920	\$54,180	14.29
Spain	\$17,690	\$12,216	44.81		\$62,220	\$63,440	-1.92
Sweden	\$30,618	\$25,718	19.06		\$43,200	\$40,500	6.67
Canada	\$34,165	\$25,500	33.98		\$60,000	\$50,000	20.00
Ireland	\$28,800	\$22,500	28.00		\$58,560	\$36,000	62.67
UK	\$27,300	\$24,570	11.11		\$50,106	\$47,320	5.89
US	\$29,000	\$25,000	16.00		\$60,000	\$49,500	21.21
Brazil	\$4,484	\$3,139	42.86		\$26,906	\$21,525	25.00
India	\$2,667	\$2,311	15.38		\$8,889	\$8,111	9.59
Poland	\$6,954	\$5,710	21.79		\$18,300	\$17,538	4.35
S. Africa	\$10,588	\$10,551	0.35		\$31,324	\$21,176	47.92
S. Korea	\$13,816	\$12,765	8.23		\$34,736	\$22,578	53.85

Average annual earnings are lower for call center agents in subcontractors compared to in-house centers in all but one of the countries in the study (in South Africa, where they are equal). These differences are statistically significantly different in all countries but Austria, India, Poland, and the UK. The wages of agents in subcontractors are, on average, 12% lower than the country median, whereas the wages for agents in in-house call centers are 6% above the country median. This means that agents in in-house call centers get a wage that is, on average, 18% higher than agents in subcontractors. These differences in wages may be due to various factors. Subcontractors typically have lower union coverage, lower task complexity, and hire employees with lower skills and formal education.

The pattern for managers is similar, although the magnitude of difference is smaller. Differences are statistically significant in Denmark, France, the Netherlands, Ireland, Canada, the US, and South Korea. Overall, the annual earnings of the typical manager in subcontractors centers are 12% lower than those of managers in in-house centers. Two exceptions are Austria and Spain – where the median wage in subcontractors centers is greater than that found in in-house worksites.

Collective representation. Collective bargaining coverage of subcontractors is considerably lower than that found in in-house centers. Unions are recognised for collective bargaining in 41% of in-house call centers and 29% of subcontractors. This pattern reflects the fact that in-house centers operate within traditional industry boundaries, for example, in the banking or telecommunications sectors, and thus call centers more or less reflect the patterns of union density and coverage of the sector. Subcontractors typically operate outside the boundaries of traditional industries, and therefore, union coverage primarily exists where new organizing efforts have been successful.



As shown in Figure 3.6, collective bargaining coverage is higher among in-house centers compared to subcontractors in virtually every country in the study. Thirty-five percent of the call centers in this study have works councils, and that figure is the same for in-house and subcontractors centers. However, the distribution of works councils varies significantly by country. In Austria, Denmark, and Germany, in-house centers are two to three times more likely to have works councils. In France and Sweden the distribution is similar, while in the Netherlands, Ireland, the UK, Brazil, and South Africa, subcontractors report slightly higher levels of works council activity.

Customer Segmentation

Customer segmentation has emerged as an effective marketing and organizational strategy for matching the demands of particular customer groups to the capacity of call centers to respond to those demands. Historically, many organizations have served all of the customers in their given region. Due to lower transmission costs and the increased capacity IT systems, call

centers have been able to serve larger territories, and in turn, differentiate themselves by targeting specific customer groups.

While market segmentation is an imperfect art, marketing experts are generally able to segment their customers into broad groupings according to their value-added, and that is what we have used in this report. We measured customer segmentation by asking managers to define the primary customer group served by their center: large business or institutions, small business, high end retail, mass market consumers, or all markets. Where centers served more than one segment, we asked them to identify the group that constitutes the largest volume of customers.

Based on managers' responses, we classified call centers into four groups:

- 19% primarily serve large business clients
- 9% serve small business or high end retail customers
- 44% primarily serve the mass market
- 28% serve all types of customer. i.e., are 'universal centers'

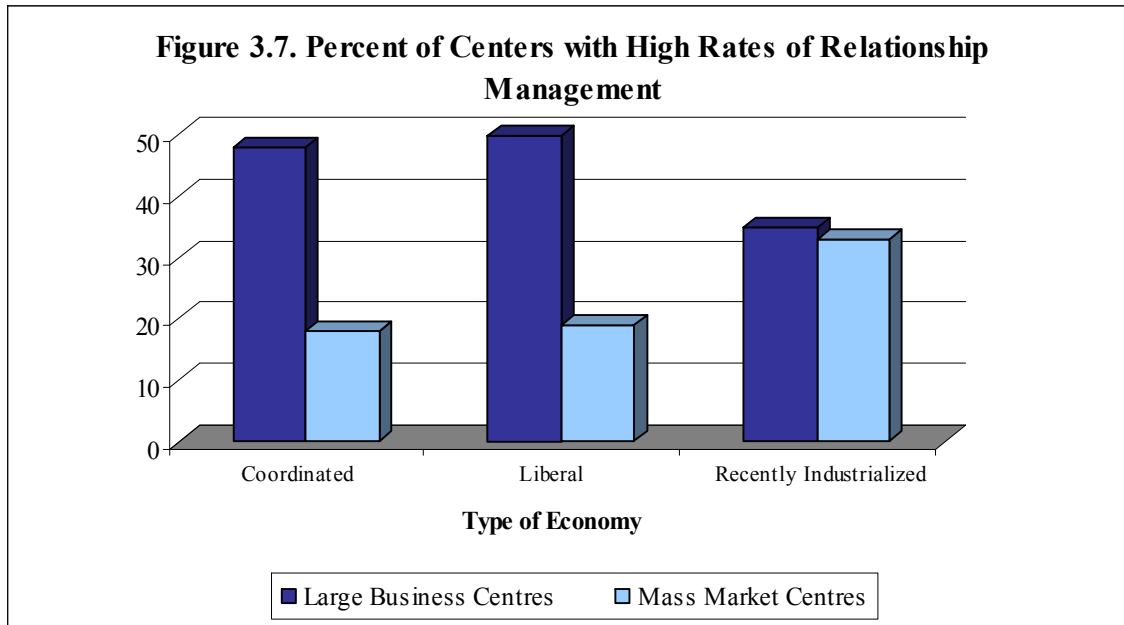
The distribution of the workforce by customer segment, however, is somewhat different because mass market centers are considerably larger than centers serving other markets. The typical mass market center has 68 employees, versus 43 in large business centers, 42 in universal centers, and 35 in small business centers. The larger size presumably allows mass market centers to handle higher volumes and to take advantage of scale economies. The larger size and frequency of mass market call centers means that the majority of all employees - 55% - work in these centers. Eighteen percent of the agents work in large business centers, 4% in small business centers, and 21% in universal centers.

Customer segments tend to differ in the level of complexity in the products and services they demand, with business customers at the higher end of complexity and value-added. Given the potential for higher profit margins, centers that target large business customers are more likely than others to engage in customer relationship management and to focus on service quality. As a result, they are likely to hire more skilled employees and adopt a more professional or 'high involvement' approach to human resource management. Thus, we would expect call centers serving large businesses to make greater use of sophisticated selection practices, hire more fulltime permanent staff, allow employees to use their independent judgement with customers, and pay higher wages.

Call centers focused on the mass market, by contrast, are likely to have lower profit margins, and therefore take a cost-focused approach to service. This suggests that they are likely to adopt more standardized work practices and performance monitoring, invest less in skills and training, and offer lower pay.

Based on these ideas, we would expect to find important differences in call centers serving different customer segments; and we would expect these differences to be more pronounced in large markets such as the US and the UK, where segmentation strategies have developed considerably more, than in small countries or markets such as Denmark or Spain. Our analysis, in fact, shows this to be true in many, although not all respects. In the sections below, we focus primarily on a comparison of centers serving large businesses and the mass market, as these represent polar opposites in terms of customer and product market characteristics. Small business and 'universal centers' tend to fall between these two extremes, and we highlight these patterns in the text as well.

Customer relationship management. Building relationships with customers has become an increasingly popular approach to service management: loyal customers are thought to buy more, buy more varied products and services, and yield higher profit margins than customers in the same market with lower commitment to a company or brand. Effective relationship strategies in call centers entail assigning a dedicated agent or group of agents to a particular customer. Employees need to be skilled and well-trained to provide quality service and customization. This is a costly staffing strategy -- one that is likely to be reserved for high value-added customers. Call centers are more likely to adopt these strategies for business customers than they are for mass market consumers.



This pattern is reflected in Figure 3.7. We asked call center managers how often an agent had repeated interactions with the same customer, without which relationships are difficult to form. Agents in mass market centers were much less likely to engage in relationship building than employees in large business, small business, or universal centers. These differences were particularly marked for call centers in coordinated and liberal market economies. In coordinated economies, 48% of service reps in large business centers had repeated interactions with customers, compared to 18% in mass market centers. The comparable figures for liberal economies were 55% and 19%, while the differences in recently industrialized economies were not pronounced.

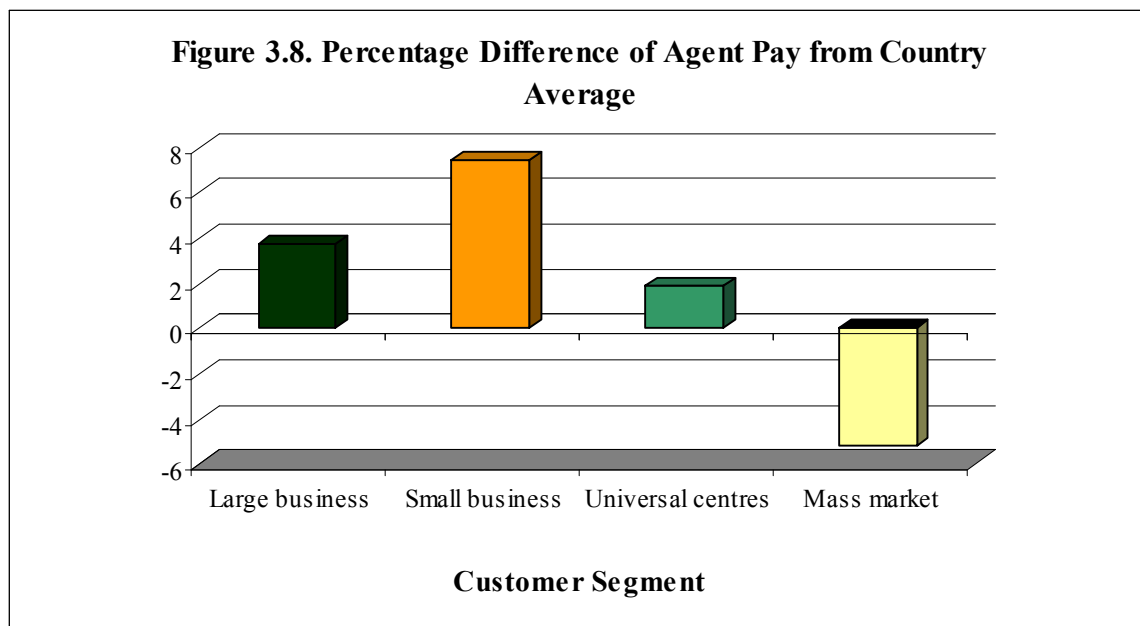
Relationship strategies can be enhanced by investments in technologies that provide access to centers via multiple channels (e.g., email, web-enablement, voice over internet protocol) and electronic customer relationship management systems. Call centers serving large businesses make considerably greater use of these technologies than do mass market centers. For example, while 26% of large business centers use at least 4 or 5 of these technologies, only 15% of mass market centers do. Large business centers also use more sophisticated combinations of technology. For example, 38% of large business centers use both email and fax and either CRM, VoIP or web-enablement. In contrast, only 22% of mass market centers use such a combination of technologies. Overall, mass market call centers use fewer and less sophisticated customer-interaction enhancement technologies. Some countries where these

differences in the level of technologies use do not prevail include Denmark, Germany, Israel, the Netherlands, South Korea, and Sweden.

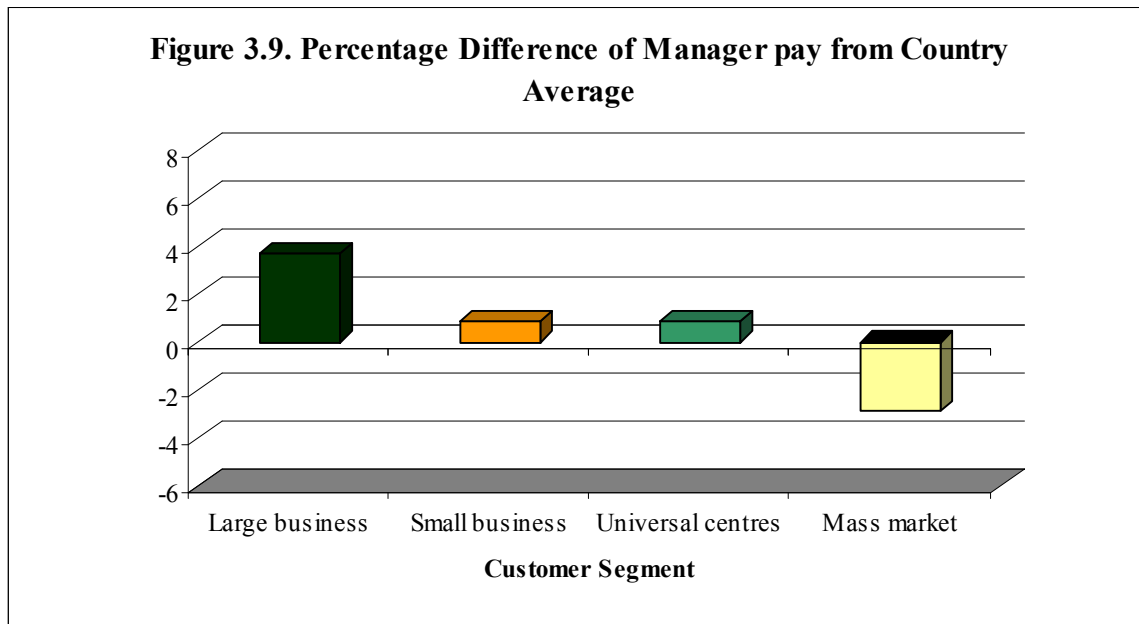
At the same time, automation technologies that substitute for human interaction are more prevalent in mass market centers than in business centers. For example, Interactive Voice Recognition (IVR) and Voice Recognition Unit (VRU) technologies are significantly more likely to be found in mass market call centers than in all other categories of call center. IVR and VRU technologies are present in 40% of mass market call centers as opposed to 32% of universal call centers, and 25% of small business and large business centers.

Human resource practices: selection, staffing, and pay. Selection, staffing, and wage levels also differ between mass market and large business centers, while the amount of firm-provided training does not. Mass market call centers are less selective in who they hire than all other categories of call center, although the differences are not large in magnitude. Mass market centers hire one-in-four candidates, while large business, small business, and universal centers hire about one-in-five. Mass market call centers also are more likely than others to use non-standard work arrangements. Three-quarters or more of employees in large business and small business centers are full-time, permanent staff. That number drops to two-thirds of the workforce in mass market centers – a difference of about 15%. Most of the difference is accounted for by the greater use of part-time staff in mass market centers.

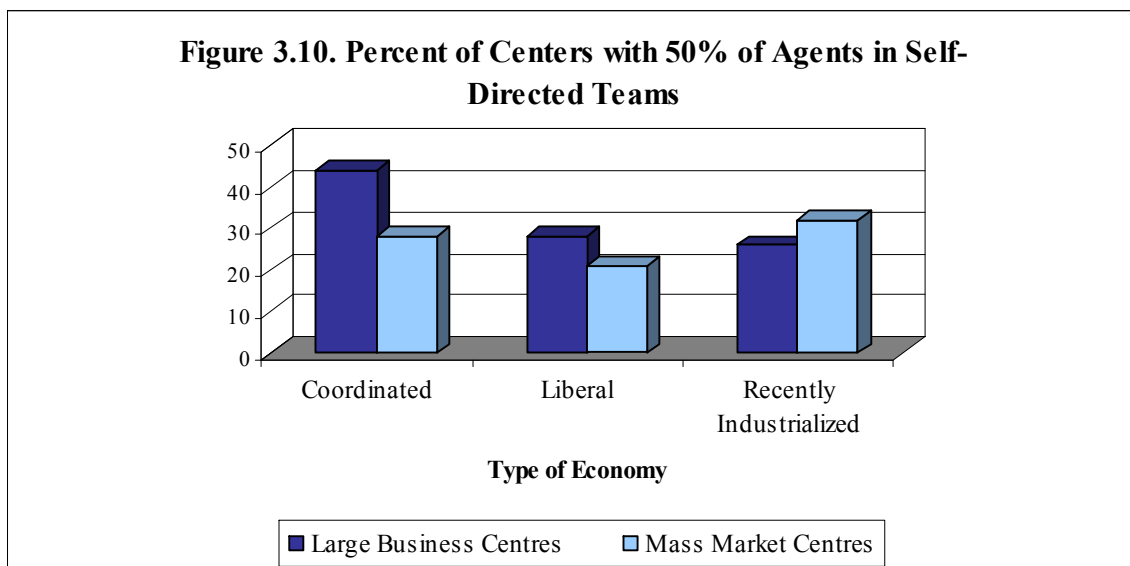
Figure 3.8 shows that pay levels differ according to the customer segment served. Here we present the percentage difference in agents' pay compared to the average pay for agents in their respective countries. Agents in the typical mass market center earn 3% below the average pay, while those in universal centers earn 2% above the average. The gap between earnings for mass market and business center agents is about 10% points.



A similar picture is evident with regard to managerial pay but the differences are not so pronounced; and only managers in large business call centers receive a wage that is significantly higher than managers in mass market and universal call centers (Figure 3.9).



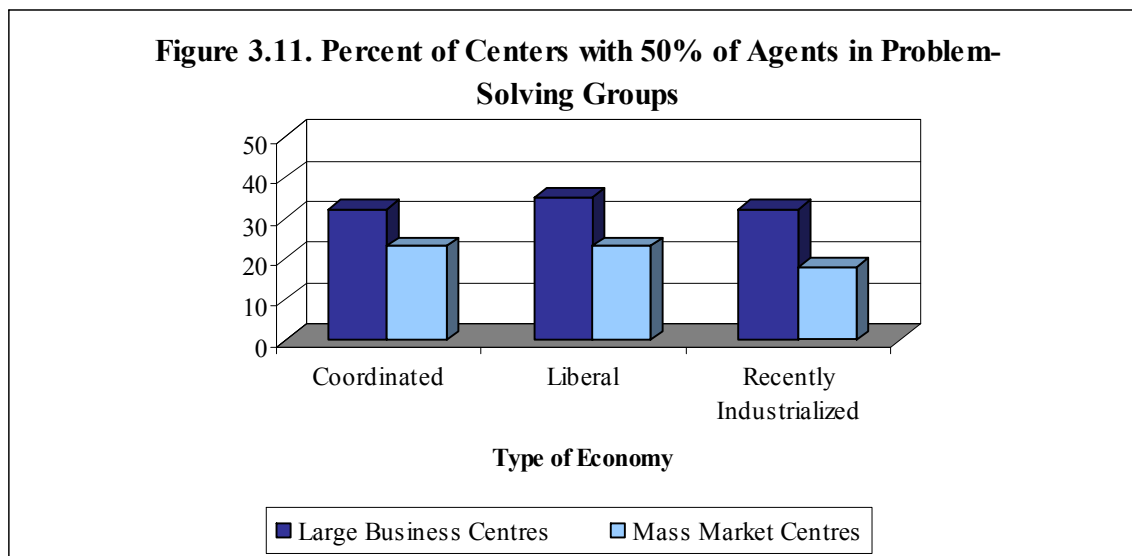
Work organization. The organization of work also differs across centers serving distinct customer segments. The level of discretion is significantly higher in large business centers, compared to mass market centers, but the size of the overall differences is not large. For example, 28% of jobs in large business centers have high levels of employee discretion at work, compared to 18% in mass market centers. Performance monitoring activity is also higher in mass market centers, although again the differences are not large. Performance monitoring activities typically occur several times a month in mass market centers, as opposed to once a month in large business centers.



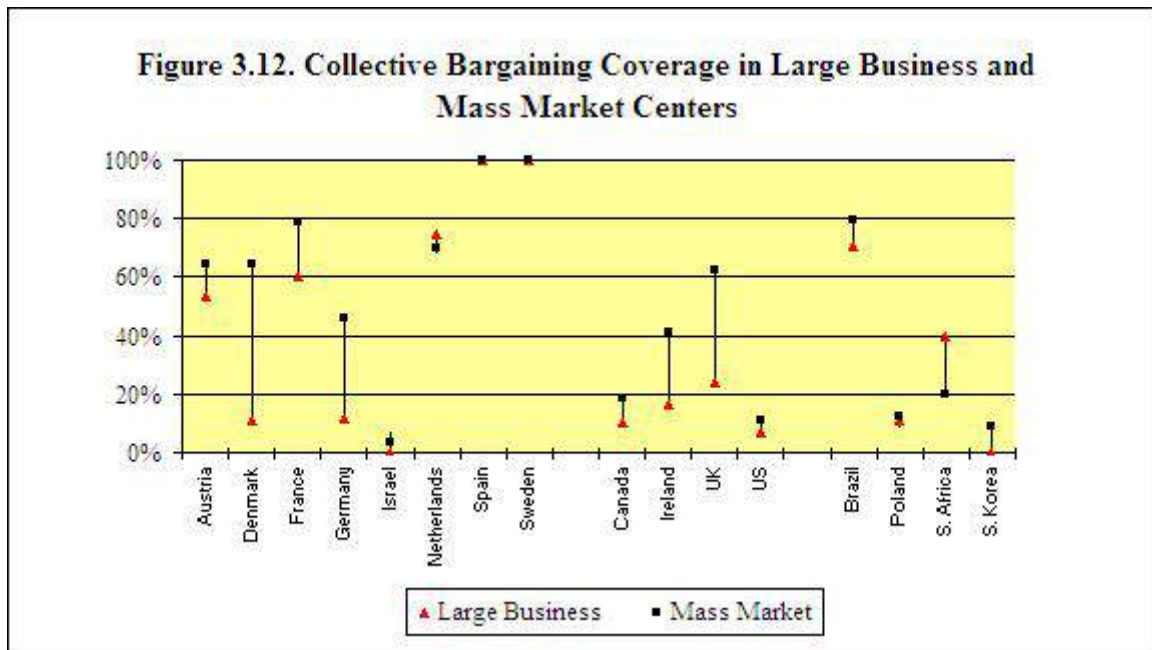
Overall, large business centers are also more likely to make use of self-directed work groups. While 35% of large business centers have at least 50% of agents in self-directed work groups,

only 24% of mass market centers do. These differences, however, are primarily accounted for by the coordinated and liberal market countries, as shown in Figure 3.10. In coordinated economies, the percent of large business centers with at least 50% of agents in teams is 44%, compared to 28% of mass market centers. In liberal market countries, the differences are 28% to 21%, but in recently industrialized countries, large business centers are somewhat less likely to use these teams.

Large business centers are also more likely to use problem-solving groups, and this pattern is consistent across all three types of economies in the study. Averaging across countries, 33% of large business centers have at least 50% of the workforce involved in these groups, while 23% of the mass market centers do.



Collective representation. Large business and mass market centers also differ in the extent to which they are covered by collective bargaining, with a larger proportion of mass market centers with union representation. While this is pattern occurs in most countries, the level of union coverage for the two types of centers differs greatly across countries, as is evident in Figure 3.12. In this chart, the percent of union coverage in large business centers is everywhere lower than mass market centers except in South Africa, where 20% of mass market centers are covered by unions versus 40% of large business centers. The coverage in the Netherlands and in Sweden is virtually identical, as they have highly coordinated industrial relations systems. There are very large differences, however, in Denmark, Germany, Ireland, and the UK. It is also noteworthy that these differences are not based on whether countries have coordinated, liberal market, or recently industrialized economies.



In summary, segmentation strategies appear to create differentiated job structures, which differ based on the customer segment served. Large business centers offer jobs with relatively higher discretion and use of problem-solving groups and teams, higher pay, and higher use of permanent full-time staff.

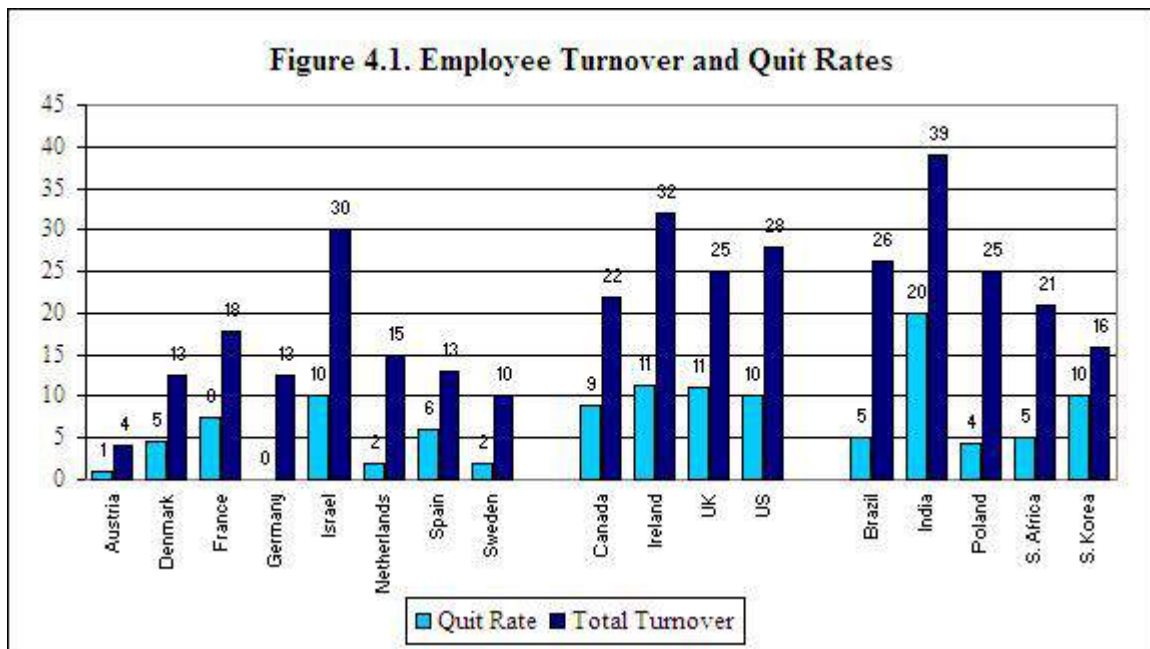
PART IV

Call Center Outcomes

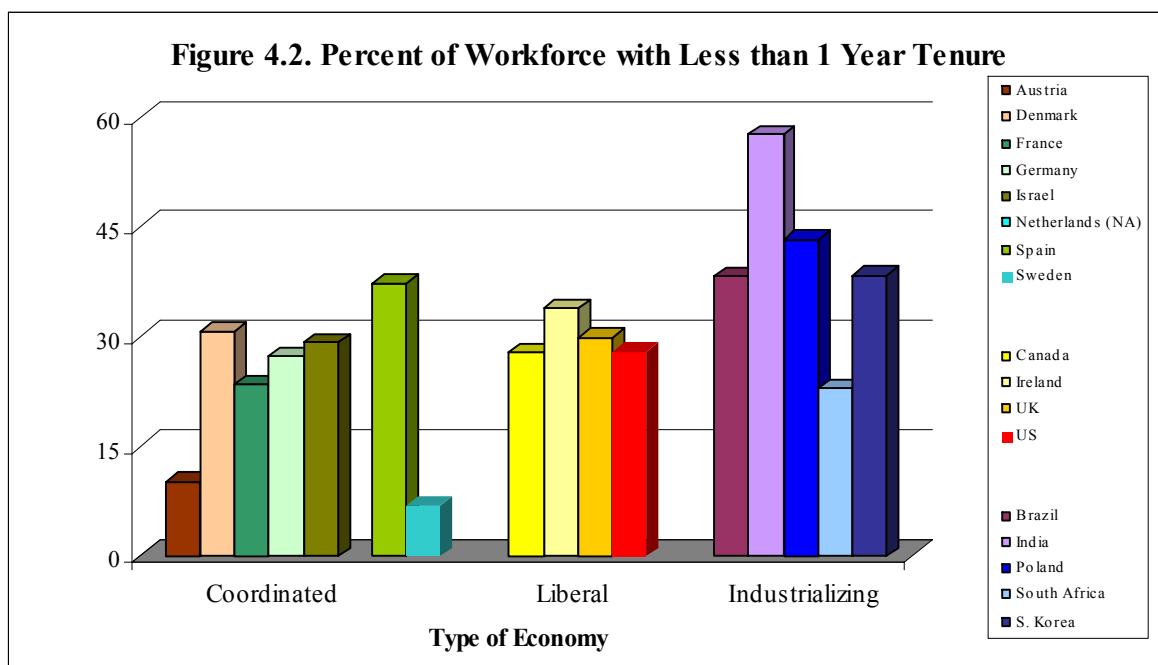
Turnover, Turnover Costs, and Sickness

Workforce stability is a significant problem for call center managers, who can often find themselves in a perpetual search for additional workers. The research record is clear that high turnover rates lead to high costs of recruitment, screening, and training.

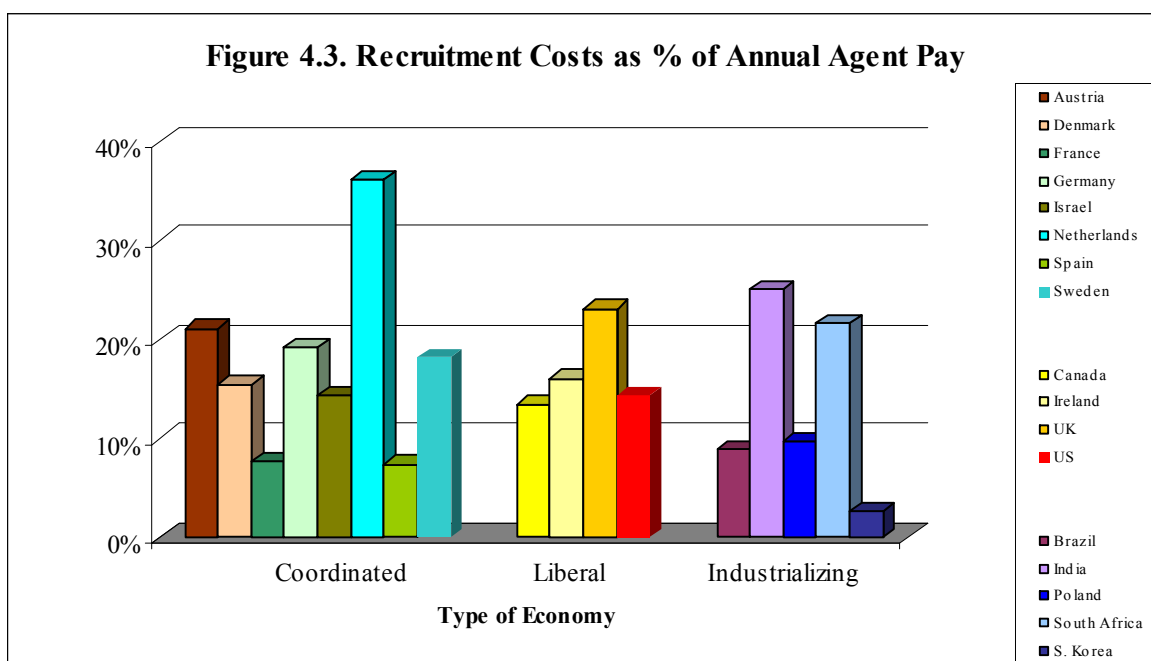
Turnover. The median annual turnover rate is 20%, but rates range from very low rates in coordinated countries to high rates in liberal market and recently industrialized countries. For example, as shown in Figure 4.1, in Austria the typical turnover rate is 4%, while in India it is 40%. We define total turnover as that resulting from all types of changes: quits, dismissals, promotions, and retirements. While promotions may be positive for the overall company, as they help retain the skills and commitment of employees, they nonetheless require call center managers to replace frontline workers, and add to the challenges they face in on-going recruitment, screening, and training.



These rates of turnover from the survey are lower than what is often reported anecdotally, and may reflect some conservative estimates in this regard. Another measure of labor instability is the percentage of the workforce that has low tenure. Research shows that inexperienced workers are less productive or less able to provide quality service because they do not have the knowledge of firm specific products and processes that more experienced workers have. Here, we find that fully one-third of call center agents across the countries in the study have only one year of tenure or less. This figure also varies markedly across countries, from less than 10% in Austria and Sweden to almost 60% in India.



Turnover costs. To estimate the effects of turnover on operational costs, we asked managers to report how much it cost them to recruit, screen, and train a typical new employee. To make this cost comparable across different countries, we calculated them as a percentage of the gross annual pay of the typical call center agent at each site. On average, replacing one agent equals 16% of the gross annual earnings of a call center worker – that is, the simple replacement costs of one worker equal about two months of a typical worker’s pay, as shown in Figure 4.3.

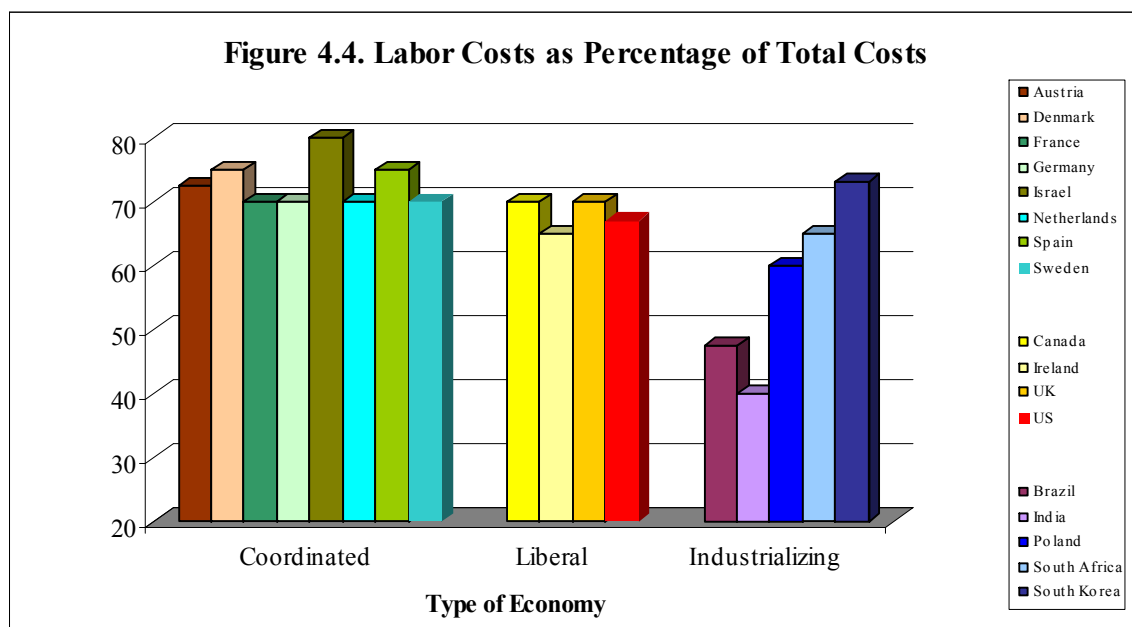


These percentages also vary markedly across countries, with no particular pattern based on whether an economy is classified as coordinated, liberal, or industrializing.

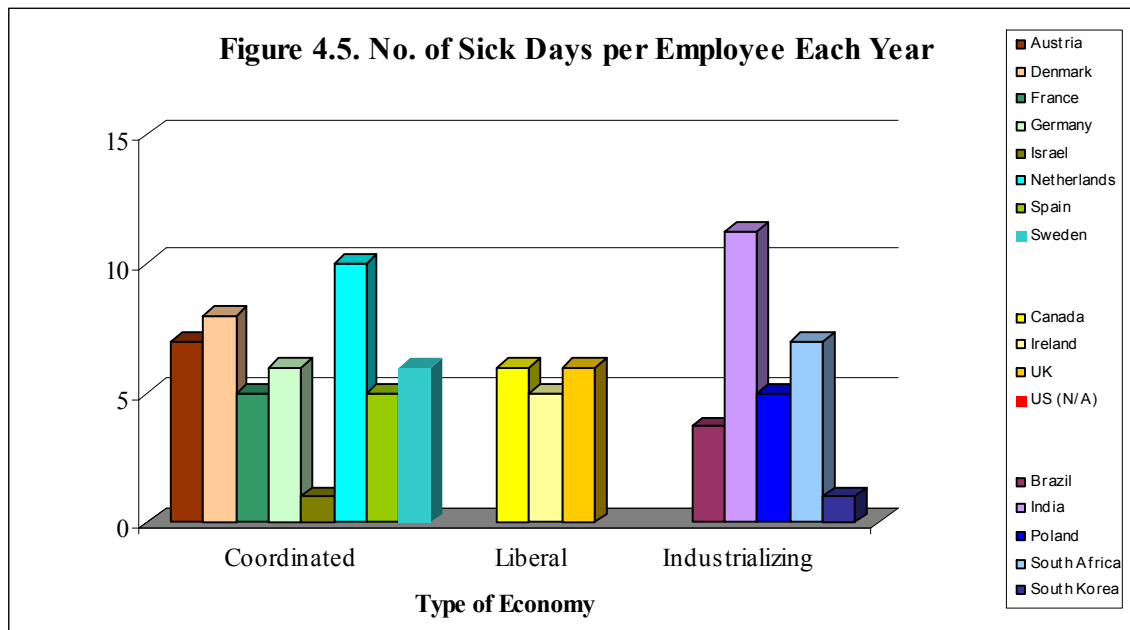
However, in addition to these replacement costs, new recruits are not as productive as experienced workers. We asked managers how much time it took for a newly hired employee to become proficient on the job – that is, sufficiently knowledgeable of products, processes, and customers to adequately perform the job. As reported earlier in Figure 2.4, beyond initial training, it takes an average of 11.5 weeks (almost three months) for employees to become proficient at work. As a rough estimate, if new workers are 50% as productive as experienced employees, then a new employee would cost an employer the equivalent of 1.5 months of pay (50% * 3 months) more than the cost of an experienced worker. While these are very rough estimates, and vary by employer and country, the combined cost of recruitment and training plus lost productivity may be in the equivalent of three to four months pay of the typical call center employee.

When these costs are multiplied by high numbers of employees who leave each month, then the costs of turnover are indeed a major problem in call centers. The costs of turnover also take their toll on managers, who end up spending the majority of their time dealing with the churn of the workforce, rather than on proactive strategies to improve service quality and productivity.

The costs of turnover also need to be put in the context of overall operational costs. Labor already constitutes a high proportion of costs in service activities such as call centers, such that reductions in turnover costs can have a meaningful impact on the bottom line. For example, in this study, labor costs averaged 65% of total costs across all countries. The median for all centers was 70%, as shown in Figure 4.4. The estimates are, in fact, quite similar across most countries in the study, with the exception of Brazil, India, and Poland.



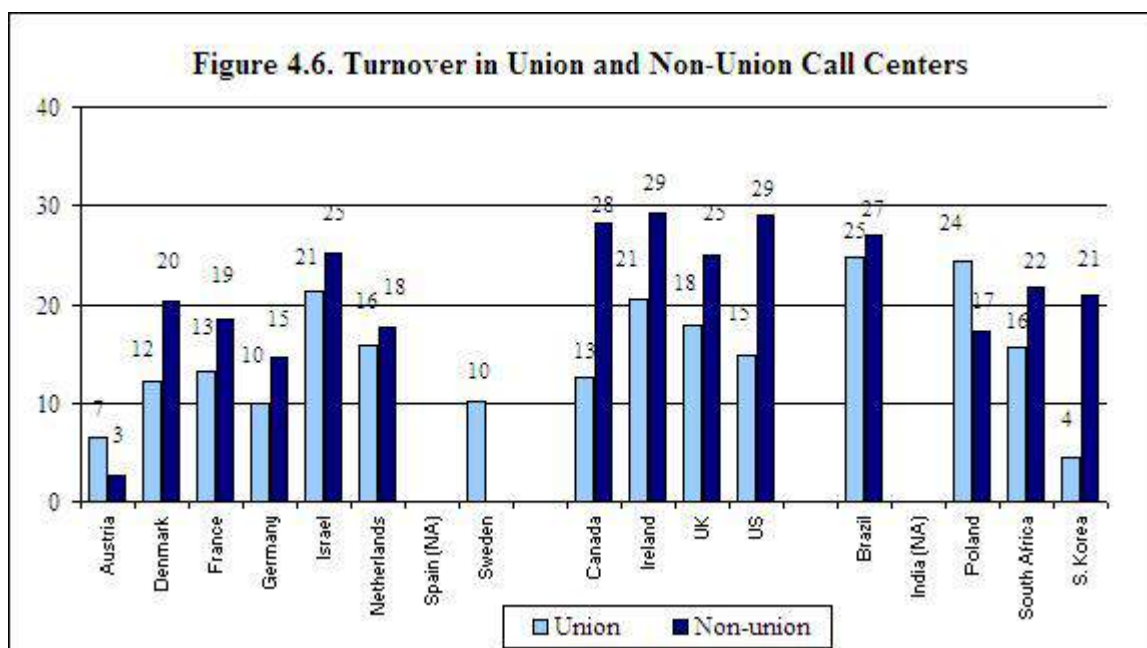
Employee sick rates. The number of sick days that an employee takes per year is an indicator of employee stress and dissatisfaction with the job, which translates into lost productivity. Across all countries, the median number of sick days that employees take is 6. The median number is significantly higher in India (11%) and the Netherlands (10%), and significantly lower in South Korea (1%), Israel (1%) and Brazil (4%).



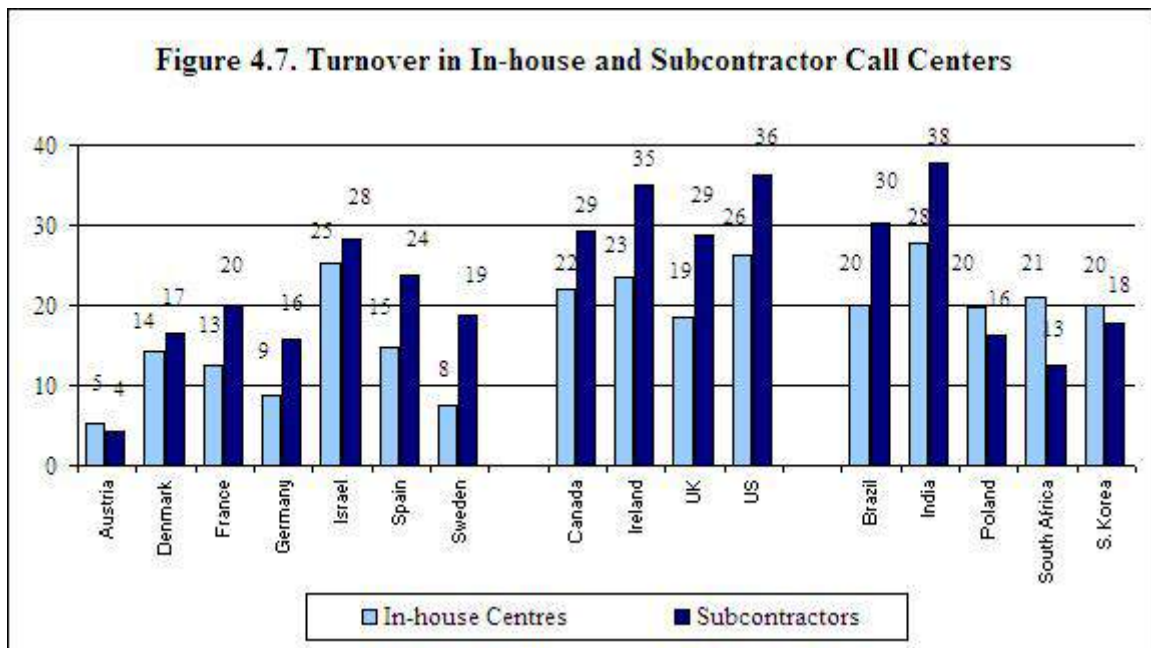
Turnover: How it is affected by Unions, Management Strategies and Job Quality

The rate of turnover differs substantially, not only across countries, but within countries as well. Important explanations for these differences within countries are the extent of union coverage of the workforce, subcontracting and job quality.

Union and non-union call centers. On average, across all countries in this study, call centers with union coverage have 40% lower turnover rates than those without coverage: 14% annual turnover in union workplaces compared to 24% in non-union sites. In almost every country, turnover rates are considerably lower in worksites with union coverage compared to those without it, as shown in Figure 4.6.



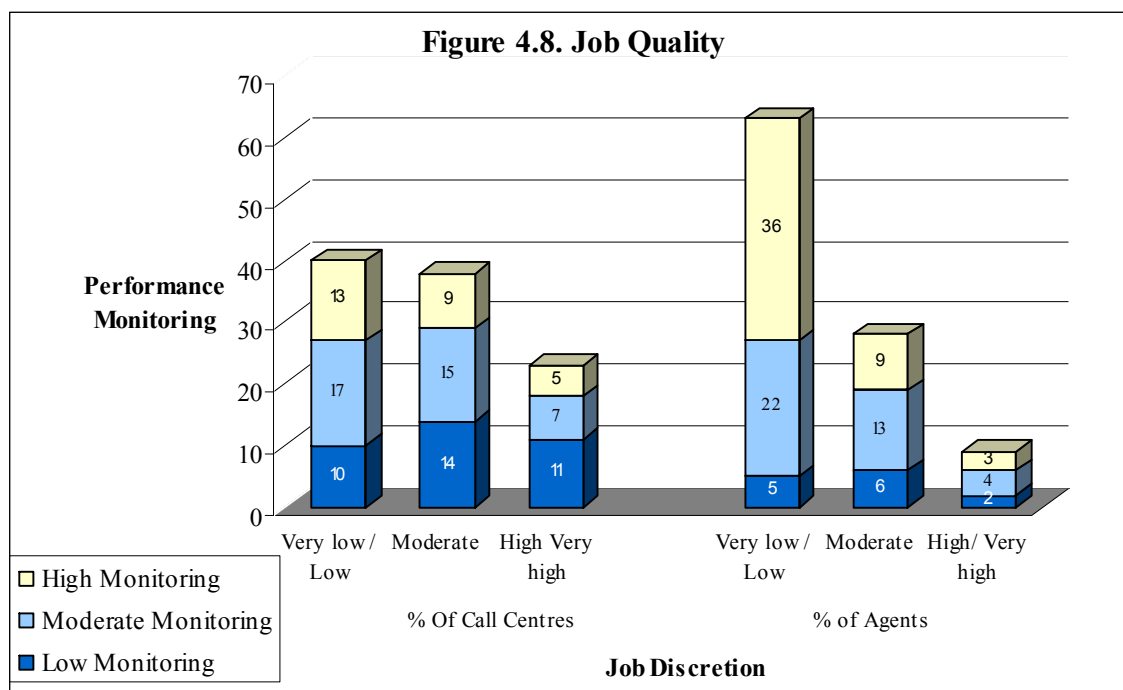
Subcontractor and in-house. Similarly, there are substantial differences in turnover rates between in-house and outsourced centers (See Figure 4.7). On average, turnover rates are 19% per year in in-house centers, compared to 25% among subcontractors. Again, these patterns hold across most countries in this study.



Job quality. Part of the explanation for differences in turnover rates resides in differences in the quality of jobs in these centers. There is a large and growing research literature on turnover, which demonstrates that managerial choices have a substantial effect on the level of churn in the workforce. In call centers, a major factor shaping turnover and absenteeism is the quality of job design.

Here, we measure the quality of jobs along two dimensions: the extent of discretion at work and the intensity of performance monitoring. Employees who have reasonable levels of discretion at work not only feel a sense of control, but have the ability to respond directly to customer demands and have a sense of responsibility to do so as well. They are able to deliver quality service and take responsibility for quality control. They are held responsible for their output, and so, do not need to be monitored in the process. By contrast, call centers that rely on standardized scripts and low levels of discretion, are likely to also rely on high levels of performance monitoring. In doing so, they send a signal to employees that management does not trust them to perform well or be responsible. In addition, studies have consistently linked high job discretion and low performance monitoring to higher levels of employee well-being.

As such, both job discretion and performance monitoring are indicators of job quality; and assessing the extent of job quality in call centers entails examining the proportion of jobs with different combinations of job discretion and performance monitoring. To do this, we analyzed the international survey data and divided job discretion into three levels: ‘low to very low’, ‘moderate’ and ‘high to very high’. We also split performance monitoring into three levels: ‘low’, i.e., less than monthly, ‘moderate’, i.e., monthly to once a week, and ‘high’, i.e., few times a week to daily. The left-hand side of Figure 4.6 shows the proportion of call centers that have jobs with different combinations of job discretion and performance monitoring.



The distribution of job quality is:

- 11% of call centers have very high quality jobs, i.e., high discretion/ low monitoring;
- 32% have very high to high quality jobs, i.e., those in the three groups of high discretion/ low monitoring, 11%; moderate discretion/low monitoring, 14%; and high discretion/moderate monitoring, 7%;
- 13% have very low quality jobs, i.e., low discretion/ high monitoring;
- 39% have low to very low quality jobs, i.e., those in the three groups of low discretion/ high monitoring, 13%; low discretion/moderate monitoring, 17%; and moderate discretion/high monitoring, 9%.

These figures show that there is considerable variation in the quality of call centers around the world. However, larger call centers tend to have lower levels of job discretion and higher levels of performance monitoring. Thus a different picture emerges if we examine the proportion of agents that are working in jobs of different quality. This can be seen on the right-hand side of Figure 4.6. From this it is evident that:

- 2% of agents work in very high quality jobs;
- 12% of agents work in very high to high quality jobs;
- 36% of agents work in very low quality jobs;
- 67% of agents work in low to very low quality jobs.

Job quality across different economies. Figure 4.9 illustrates how economies differ with regard to the distribution of job quality among call centers and the percentage of agents working in jobs of different quality. It is evident that call centers in coordinated economies have higher levels of job quality. In coordinated economies the proportion of call centers with high to very high job quality (41%) is greater than those with low to very low job quality (24%), and more agents work in jobs of high to very high job quality (39%) than work in jobs with low to very

low job quality (33%). The situation for liberal and industrializing economies is the reverse. For example, in liberal economies the proportion of call centers with high to very high job quality (25%) is lower than those with low to very low job quality (48%), and fewer agents work in jobs of high to very high job quality (10%) than work in jobs with low to very low job quality (67%). Moreover, in industrializing economies 82% of agents work in jobs of a low to very low quality.

Figure 4.9. Job Quality across Economies

	% Of Call Centers				% Of Agents			
	V. low	Low to V. low	V. High	High to V. High	V. low	Low to V. low	V. High	High to V. High
Coordinated	6	24	16	41	5	33	4	39
Liberal	15	48	8	25	24	67	1	10
Industrializing	21	50	7	21	60	82	1	2

Job quality and subcontractors. Subcontractors have lower job quality than in-house call centers. Fifty-three percent of subcontractors have jobs of low to very low quality and 22% have jobs of high to very high quality. In contrast, 32% of in-house call centers have jobs of low to very low quality and 37% have jobs of high to very high quality

Job quality and turnover. Our research shows that low quality jobs are associated with higher turnover and, in particular, with higher quit rates. This can be seen in Figure 4.10, which shows that turnover and quit rates are higher as job discretion becomes lower and performance monitoring becomes higher. Indeed, the typical level of turnover in call centers with very high quality jobs (high discretion/low monitoring) is 9%, whereas it is 36% in call centers with low quality jobs (low discretion/high monitoring). The typical quit rate is 0% in very high quality jobs and 15% in very low quality jobs. This is because low job discretion and high performance monitoring have been shown to increase employee stress, and as a result an employee is more likely to quit his or her job.

Figure 4.10. Job Quality, Turnover, and Quit Rates

	Turnover			Quit Rate		
	Performance Monitoring			Performance Monitoring		
	Low	Moderate	High	Low	Moderate	High
Job Discretion						
Low to Very Low	17	29	36	7	10	15
Moderate	15	20	20	3	8	10
High to Very High	9	20	18	0	5	7

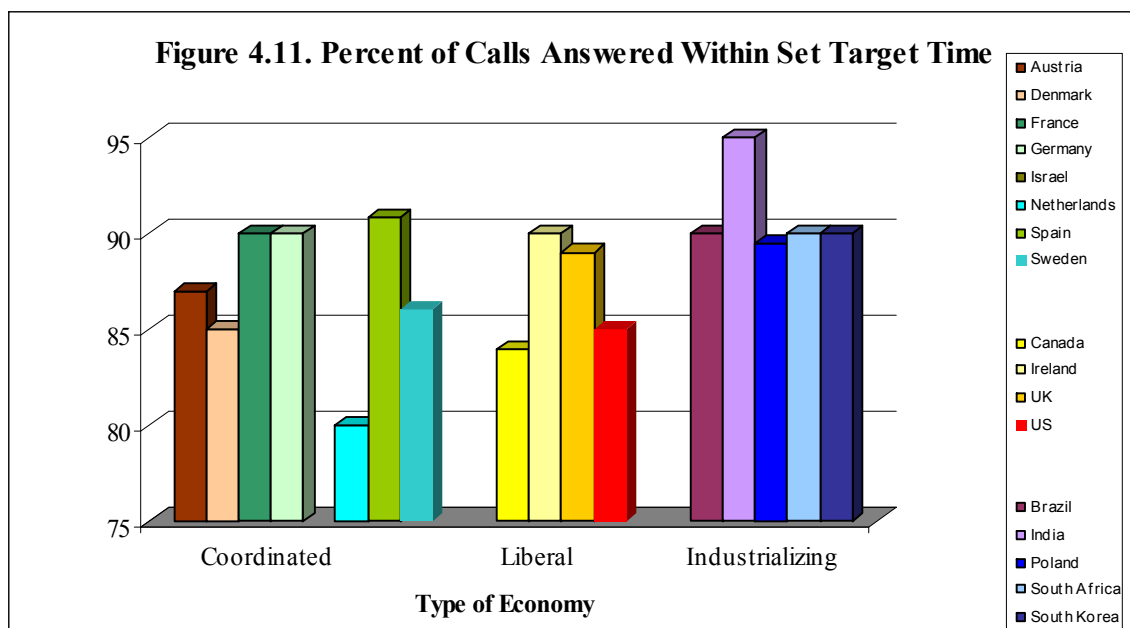
Our findings indicate that performance monitoring in call centers works by ensuring that employees sustain a high level of task effort. While this may promote employee performance, high levels of monitoring hasten the depletion of physical and mental resources, which leads to

lower levels of well-being. Job discretion enables call center employees to manage and cope better with task demands, thereby improving well-being and effectiveness. These findings are consistent with previous studies.

Sales growth. Just over one-half of call centres in our sample were engaged in selling products and services. Sales growth for the typical call centre in this study was 5% per year. The average annual growth rate was 17%; however, managers in India and Poland reported considerably higher rates of 89% and 38%, respectively. When these two countries are excluded, the average annual sales growth was 12 percent, with a low of 5% in the US, Israel, and South Korea, and a high of 18% in Denmark and 23% in Brazil. The rates do not reflect the overall growth rates of call centre sales in each country, however, because they do not indicate the extent to which call centre consolidation may be occurring at different rates in each country.

Target time. Eighty-seven percent of calls are answered within the set target time, with a small range of variation among countries. India, for example, is significantly higher than the average, at 95 percent, while Holland is significantly lower, at 80%.

The extent to which a call centres meets the specified target time is likely to be influenced by a number of factors. These include the sophistication of the call forecasting technologies in use and the ability of the organisation to match supply with demand. However, call centres vary in the emphasis that is placed on achieving this performance metric. For example, in subcontractors meeting the target time may be more important than in in-house call centres, as it is an important means with which to reduce costs and show contract compliance. Likewise, industrialising economies may place greater emphasis on meeting the target time metric.



PART V

Conclusion

This is the first report to provide a detailed comparison of management and employment practices in call centers within and across national boundaries. Covering almost twenty countries in all regions of the world, it dispels certain myths about this important emerging sector.

For example, media accounts typically portray call centers as large warehouses providing low skill, high turnover jobs. Outsourcing and off-shoring are viewed as the dominant trends in what are considered low value-added activities.

While we find that a substantial proportion of centers do follow a cost-minimisation approach, with high levels of standardisation, this portrait is not universally true. Rather, this study provides a more complex and differentiated view of call center operations. The variation in management practices is noteworthy. Differences include alternative approaches to the design of work and the quality of jobs (e.g., the level of discretion, monitoring, and use of teamwork), adoption of human resource practices (e.g., systematic selection tests, performance appraisals, training), and collective bargaining structures. Managers adopt a range of alternative approaches to customer service, from transactional to quite professional. But why do these differences occur? Our results suggest that institutional factors, business strategies, and operational choices play important roles in shaping call center management and employment outcomes.

Differences in labor market institutions are one major source of differentiation. In the coordinated economies of continental Europe, a high proportion of call centers is covered by union and works council representation. In these countries, employers and employee representatives often consult or negotiate over work design and human resource practices. Compared to centers in liberal market or recently industrialized countries, those in coordinated economies have better quality jobs, lower turnover, and lower wage dispersion. Call centers in coordinated countries also make greater use of subcontracting and part-time contracts as strategies to increase organizational flexibility, and this is likely to be a means of circumventing labor market regulations.

While institutions shape variation across countries, alternative business strategies help to explain differences within countries. Of particular importance in this sector is the use of customer segmentation strategies. Centers that target a unique customer group are able to design their management and employment systems to match the demand characteristics of that group. Thus we found, for example, that compared to mass market call centers, call centers serving business make greater use of sophisticated customer relationship technologies, offer better quality jobs, pay higher wages, use team work more extensively, and employ a greater proportion of full-time permanent staff. They do this as it enables them to provide better quality service and to meet the more complex needs of business customers.

The different strategic and operational contexts of in-house centers and subcontractors also explain our finding that, in virtually all countries in the study, subcontractors differ significantly from in-house centers in their management and employment systems. Compared to in-house centers, subcontractor operations have more standardised jobs with lower skills and pay, higher performance monitoring, higher turnover, greater use of part-time and contingent

staff, and lower union representation. These attributes may be explained by their higher strategic emphasis on cost reduction and greater fluctuation in demand as they handle multiple client contracts.

In sum, our findings highlight important differences in the strategic positioning of call centers within and across countries around the world. As this sector continues to grow in size and importance, employers and public policy makers will need to consider what changes are needed to ensure its sustainability and its role in economic development. There is ample evidence to show that heavy reliance on a cost-focused model not only creates low quality jobs but also breeds customer dissatisfaction and employee turnover. In an age of mass customization, where customer demands for higher service quality are on the rise, cost-focused strategies are likely to satisfy an ever smaller portion of transactions. Employer strategies to compete on quality, however, depend importantly on the institutional contexts in which they are operating. For example, quality-based firm-level strategies are possible only if countries develop the education and training infrastructure needed to supply an educated service workforce – although the education and training infrastructure in most countries has not kept pace with the demand for customer service professionals. Encouragingly, there are many examples across the call center sector of managers successfully experimenting with new practices and strategies, and also of institutional innovation, such as changes to the education system.

In sum, the emerging international call center sector is a complex and rapidly changing landscape, far from the stylized facts portrayed in the mainstream media. While on-going cost pressures shape management practices, alternative strategies and institutional innovations are emerging that hold some promise for quality jobs and service and offer opportunities for constructive economic development.

Appendix A: Acknowledgement of Sponsors

Austria: Jubiläumsfonds der Österreichischen Nationalbank

Brazil: Associacao Brasileira de Telesservicos

Canada: Social Sciences and Humanities Council of Canada

Denmark: Russell Sage Foundation

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Germany: Hans-Böckler-Stiftung, Russell Sage Foundation

India: Center for Advanced Human Resource Studies, Cornell University

Ireland: UCD Business Schools, University College Dublin

Israel: Israel Ministry of Trade and Employment

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U.K: Economic and Social Research Council, Russell Sage Foundation; UK Customer Contact Association

US: Alfred P. Sloan Foundation, Russell Sage Foundation, Center for Advanced Human Resource Studies, Cornell University.

Appendix B: Technical Note on Methods

The survey used in this study is an establishment level survey, administered to the senior manager of each call center. It is a relatively long and detailed survey that covers the following topics: market conditions, customers served, business strategies, organizational structure, work organization, human resource practices, non-standard employment practices, wages, tenure, turnover, absenteeism, sick rates, use of government programs, and collective bargaining coverage. The survey asked the general manager to answer questions as they applied to the ‘core’ occupational group – that is, the largest group of employees serving as call center agents.

While every effort was made to take a consistent approach to sampling and survey administration, there was some variation across countries. See the attached table for information on research methods for each country in the study. Identifying the population of call centers from which to draw the sample was the most difficult step because most countries have no government statistics on call centers. In each country, the sample was chosen from the largest available list of call centers. In most countries, that meant the membership list of the national call center employers’ association supplemented by other sources.

We compared our data to other available surveys of call centers, and found them to be consistent with estimates of the number of call centers by sector and by in-house/outsourced status. However, in Germany, the use of association lists led to over sampling of outsourced centers. The sampling strategy in the US led to an over representation of the telecommunications industry in the sample.

For the recently industrialized countries of Brazil, India, South Africa, and South Korea, the surveys were conducted primarily via interviews on site because survey research is relatively undeveloped and mail and telephone surveys yield particularly low response rates. As a result, researchers focused on one or several geographic areas (Sao Paulo in Brazil, Seoul in South Korea, six primary ‘call center cities’ in India, two primary ‘call center cities’ in South Africa). They identified the largest list of call centers they could find (based on a combination of employer association lists and telephone books), and administered the surveys wherever they could get access to establishments. Thus, they are large, non-random samples.

In general, using employers’ association lists to identify the population of call centers biases the sample towards the better operated centers because the association members tend to be more established operators, often part of large national or multinational corporations. Similarly, in the on-site interviews in recently industrialized countries, it is probable that it was the better run centers that were willing to have academic researchers come on site and conduct interviews. This leads us to expect that the sample, in general, is biased towards larger, more established centers, with more formalized human resource practices and higher wage levels than would be expected if the samples were drawn from the entire population of centers.

Survey Methodology

Country	Estimated No. Call Centers (2005)	Estimated No. CC Agents (2005)	Source of CC database	No. of CCs in database	Sample size	Sampling Strategy	Survey Administration	Start & End Date	No. of Completed Surveys	Response Rate
Austria	500	40,000	Austrian Call Center Forum, FORBA database, Internet	165	165	All CCs in database	Telephone	05-07, 2005	96	58%
Brazil	1,000	615,000	Employers Association	250	250	All CCs in database	Telephone, email, on-site,	05-09, 2005	144	45%
Canada	13,424	512,867	Employers Association	500	500	All CCs in database	Telephone	02/2005 – 05/2006	387	77%
Denmark	350	23,000	Employers Association, phone book, Internet	226	226	All CCs in database	Personal contact w/email response	06-09, 2004	118	65%
France	3,100	200,000	Employers Association, France telecom survey	900	340	Stratified random by sector, outsourced	Telephone	05-08, 2004	210	60%
Germany	3,000	330,000	Previous databases, Regional Development Agency lists	2,800	300	Random, plus added sites	Telephone	09-10, 2004	155	54%
India	N/A	316,000	NAASCOM, Internet, field research	100	75	Non-random in call center cities	On-site	07, 2003 – 08, 2004	63	N/A
Ireland	400	19,500	Previous list, telephone directory, Internet, recruitment agencies	287	188	All with confirmed contact info.	Mail	10-12, 2004	43	23%
Israel	500	11,000	Telemarketing Association, phone books, Internet, CC mgr forums	80	80	All CCs in database	On-site	08-10, 2004	80	100%

Survey Methodology

Country	Estimated No. Call Centers (2005)	Estimated No. CC Agents (2005)	Source of CC database	No. of CCs in database	Sample size	Sampling Strategy	Survey Administration	Start & End Date	No. of Completed Surveys	Response Rate
Netherlands	1,500	90,000	Employers Association, related lists	800	800	All CCs in database	Mail, internet	04-08, 2004	118	15%
Poland	300	8,700	Federal Trade Register	112	112	All CCs in database	Telephone	10-11, 2004	75	67%
South Africa	1,200	100,000	Multiple industry, Internet sources	1,200	326	Non-random in call center cities	Telephone, email, on-site	11, 2002 -- 06, 2004	64	N/A
South Korea	2,500	330,000	Telemarketing Association, S. Korea Mgmt. Association, Internet, CC mgr. forum	250	250	All with confirmed contact info.	On-site, email, mail	06-09, 2004	121	48%
Spain	1,500	64,000	Telmarketing Association, Official Registry of Companies in Spain (SABI), Internet, CC mgr forums	224	224	All companies in database	On-site, telephone, postal, email	05, 2005 – 01, 2006	109	49%
Sweden	1,200	100,000	Employers Association, Benchmarking Company	642	347	All companies in database (outsourcing)	Mail, w/ telephone, email, fax	02-05, 2004	161	46%
UK	3,500	800,000	Employers Association	500	418	All contactable companies	Telephone, w/mail follow-up	03-10, 2004	167	40%
US	60,000	4,000,000	Dun & Bradstreet, Call Center Magazine	2,000	682	Stratified random, by size, sector	Telephone	02-09, 2003	464	68%

National Country Reports

This international report draws on data collected by research teams in each participating country. For more detailed reports on a country by country basis, please consult the list below. These reports are available on the websites indicated or by emailing the contact person. In addition, new teams in additional countries have joined this network and are undertaking on-going research projects in this sector. They are also listed below.

Austria

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Brazil

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Canada

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