Human Resource Trends in the Contact Centre Sector

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December 2009
Preface

The success of Contact Centre Canada’s Labour Market Study report was possible thanks to the active participation and strong commitment of contact centre industry leaders. Industry validation, that includes methodologies, research findings and recommendations, is a critical component of every project that Contact Centre Canada undertakes on behalf of the members it represents.

For this study, Contact Centre Canada also would like to express its appreciation to the many industry leaders who gave generously of their time by participating in the study’s Advisory Committee. Their practical insight has ensured that that this study is grounded in the day-to-day economic and competitive realities of the contact centre sector in Canada.

Industry’s guidance has shaped both how the research results were interpreted and the important recommendations that are based on the study’s key findings. Contact Centre Canada also appreciates the numerous industry leaders who took time to participate in interviews, surveys and who made a contribution towards providing insight into key human resource trends which this report describes.

This report is not just a study of trends, it is an industry ‘call to action’ in order to address critical human resources challenges that affect the industry’s ability to remain competitive in Canada as well as internationally. Contact Centre Canada intends to use this report as an instrument to mobilize the sector towards successful outcomes.

Acknowledgement

Prism Economics and Analysis was commissioned by Contact Centre Canada to lead its labour market survey project. Prism Economics and Analysis specializes in analyzing the interaction between labour markets and human resource management. Prism has become one of Canada’s leading sources of analytical expertise on the relationship between labour market trends and human resources management.

Prism first undertook a study for Contact Centre Canada in 2006. That study examined offshoring, technology trends, and the impact of regulation. The study was accompanied by an extensive literature review which was published separately. In 2007, Prism completed a second study for Contact Centre Canada looking at human resources trends in the contact centre sector that focused on key changes in the economic and labour market environment for contact centres.

We acknowledge the quality and partnership effort that Prism Economics and Analysis conducted on our behalf.

All of the studies cited are available on Contact Centre Canada’s web site

www.contactcentrecanada.ca
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Executive Summary

This report was commissioned by Contact Centre Canada – Centre de contact clientèle du Canada, with support from Human Resources and Skills Development Canada – Ressources humaines et Développement des compétences Canada.

The report is based on a review of scholarly and trade literature, interviews with 36 industry leaders and public officials, and a survey of contact centres in the financial sector.

Key Finding

The key finding of this report is that the human resource management strategies that emerged in the period 1995 to 2005 need to be re-assessed in light of how labour market conditions have changed.

It is conservatively estimated that contact centres account for around 3% of employment in Canada. However, the industry and occupational classification codes that are used by Statistics Canada make it difficult to develop a precise estimate of the number of persons who work in a contact centre environment and are therefore affected by economic and technology trends in the sector. A more precise measure of persons working in a contact centre environment would likely be higher than 3%.

1995-2005: The Sector Takes Shape

From 1995 to 2005, the spread of contact centres sustained rapid employment growth. During this period, three defining trends re-shaped the contact centre sector. The first of these was the rapid emergence of outsourcers. By 2005, outsourcers had achieved a 20-25% market share and accounted for more than 80% of the sector’s growth.

The second key trend was the emergence of the near-shoring market, i.e., providing customer support to the U.S. market. This growth was propelled by the low Canadian dollar. Lastly, the third important trend was the growth of off-shore contact centres which held out the prospect of 40-60% reductions in operating costs.
The period 1995-2005 also saw consolidation of the human resources management strategies that predominate in the sector today. While there are variations and exceptions, the most frequent features of these strategies are:

- narrowly defined and standardized jobs that can be automated wherever practical,
- reliance on low cost pools of labour, often, though not always found in smaller communities and in areas with high rates of unemployment,
- high levels of monitoring – both electronic and supervisory – that are tied to overall performance metrics, and
- limited scope for advancement into career jobs.

2006-2008: Changes in Labour Market

Between 2006 and 2008, the economic landscape changed in two fundamental respects. In the first place, the appreciation of the Canadian dollar removed a key condition that had supported near-shoring. Second, compared to 1995-2000, unemployment rates in the period 2006-2008 were about one third lower. The impact was most evident in the youth labour force from which the contact centre sector recruits a large proportion of its workers.

The new labour market conditions drove up turn-over rates, put pressure on wages, and threatened the cost competitiveness of many contact centres. Human resources management strategies that were predicated on a Canadian dollar under $0.80 and large pools of job-seekers were no longer sustainable.

2009: Recession

The downturn that commenced in late 2008 reduced the labour market pressure that had emerged in the previous period. It is estimated that employment in the contact centre sector declined by around 5% in 2009. The exchange rate depreciated for a brief period but quickly returned to levels that eliminate any Canadian cost advantage over U.S. contact centres. This confirmed that the earlier realignment of the exchange rate was a long-term development.

Post-Recession Outlook

Taking account of growth factors as well as technology trends, employment in the contact centre sector is likely to grow between 0% and 2.35% per year over the next five years. The labour market is likely to return to pre-recession conditions in 2011 or early 2012. Consequently, by 2011 or – at the latest, 2012 – there will be a return of the labour market and exchange rate pressures that were evident in the period 2006-2008. The challenges to human resources management strategies that were evident in the period 2006 to 2008 will again be evident in 2011 or 2012.
Employment Profile

Census and other data show that:

- the contact centre sector relies heavily on the youth labour force to meet its requirements. In the Atlantic region, 29% of workers are age 25 or less.
- the sector’s labour force is predominantly female,
- the proportion of low educational attainers (i.e., persons with no post-secondary qualifications) increased from around 32% in 2001 to approximately 47% in 2006.
- on a regional basis, employment is moderately, though not radically, skewed to Atlantic Canada,
- most employment growth has been in small communities,
- comparisons between earnings in contact centres and the “all occupations/all industries” average are strongly affected by industry and region and also by whether the comparison is to the median or the mean.

Job Structures

Roughly 85% of employment in contact centres is related to customer support or marketing. These jobs fall into three tiers.

<table>
<thead>
<tr>
<th>Tier Description</th>
<th>Characteristics</th>
<th>Estimated Share of Employment</th>
</tr>
</thead>
</table>
| Tier I - Advanced | • low sensitivity to location costs  
• quality of labour pool is key location determinant  
• low vulnerability to outsourcing  
• strong preference for full-time, permanent over part-time, temporary workers  
• Tier I wages are 60%-100% (or more) above Tier III (entry level), depending on industry | 20% |
| Tier II - Intermediate:  
• provide more complex information  
• moderate opportunities for up-selling or cross-selling  
• moderate value customers | • moderate sensitivity to location costs  
• moderate to low vulnerability to offshoring and self-serve technologies  
• wages tend to be 20-40% above Tier III | 40-50% |
| Tier III – Entry Level:  
• entry-level  
• provide non-complex information  
• script-based  
• order-taking  
• tele-marketing  
• most market-research | • high sensitivity to location costs  
• vulnerable to offshoring and self-serve technologies  
• low wages  
• vulnerable to significant increase in turnover when labour market tightens | 30-40% |
Business Models

Companies have a range of options in how they will organize their contact centre work. Among the key choices are whether to outsource, whether to go offshore, where to locate in Canada, how to structure jobs, what recruitment standards to apply, and what remuneration norms to adopt. A key factor shaping how companies address these human resources management issues is whether they view their contact centres primarily as cost centres or as value-adding centres.

![Figure ES-2](Primary Relationship of Contact Centre to Business Objectives and Implications for Human Resources Management Strategy)

Technology Trends

Five technology trends will have an impact on human resources in contact centres.

*Self-serve technologies* are by far the most important technology trend. Self-serve technologies reduce the cost of customer interaction by up to 95%. Market studies confirm the growing importance of self-serve technologies and the growing acceptance of these technologies by consumers. The impact of self-serve technologies will be principally, though not solely, on Tier III jobs.

*Speech analytics* applications identify patterns that are useful in assessing customer satisfaction and interpreting market trends. These applications potentially increase the value of a contact centre to a business. The adoption of speech analytics technology therefore may strengthen the value-adding role of contact centres. In turn, this may reduce the attraction of outsourcing Tier I and Tier II jobs.

*Hosted systems* replace front-end capital costs with monthly service charges. Hosting enables a small or medium-sized company to operate an in-house contact centre on approximately similar technology cost terms to a large outsourcer and to avoid up-front capital costs. Hosting therefore reduces the importance of technology costs and start-up costs as factors favouring outsourcing.

*Home-based or satellite-based agents* currently represent only 5% or less of total capacity in the contact centre sector. The enabling technology to allow home-based or satellite-based agents has been available for at least four years. Organizational and management models are now giving more companies confidence in the viability of home-based or satellite-based agents. Evidence from early adoption suggests that this model changes the educational and age profile of the work
force, reduces turnover, and improves productivity and performance. Whether these benefits will endure if the model is expanded is uncertain. So also are how regulatory issues will be handled related to employment status, employer liability, and security of data.

Text Messaging is currently employed by around one quarter of contact centres, though this proportion is expected to increase significantly. Text messaging facilitates automation of certain types of script-based inquiries, such as account balance information. As well, text messaging services can more easily be off-shored. The growth of the text messaging channel will reduce the growth trajectory for Tier III (Entry Level) customer service representatives.

Financial Sector

The financial services industry employs 15-17% of persons working in the contact centre sector, and possibly more. An important trend has been the use of contact centres to market ever more complex investment and insurance products. Most banks pursue a ‘relationship deepening’ strategy with their customers, that is to say, rather than focus on single transactions, banks endeavour to expand the number of financial services a customer uses. This puts a premium on customer satisfaction. The broader value to a bank of its contact centre, therefore, can exceed significantly the profit that may be generated by any single contact centre-based transaction.

Outsourcing plays only a limited role in the financial services industry, accounting for 10% or less of customer service and marketing functions. Offshoring is a negligible factor. Interviews and Census data suggest the follow structure of customer service jobs:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Description</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>III</td>
<td>Entry Level</td>
<td>30-40%</td>
</tr>
<tr>
<td>II</td>
<td>Intermediate Complexity in Transactions and Inquiries</td>
<td>30-50%</td>
</tr>
<tr>
<td>I</td>
<td>More Complex Transactions and Inquiries</td>
<td>10-20%</td>
</tr>
</tbody>
</table>

In the Atlantic region, salaries in the financial services industry are generally about 8-10% above the all industries average for contact centre workers. In the rest of the country, salaries in contact centres in the financial services industry are somewhat below the all industries average.

The most important technology trend is the move to self-serve applications. There is widespread interest in the viability of home-based or satellite-based customer service representatives. A number of the major chartered banks are conducting pilot projects to ascertain whether the home-based model is feasible. None of the major banks, however, has moved beyond the pilot project stage. Among the insurance companies there is less expressed interest in the home-based model, although if the viability of this model is demonstrated for the banking sector, emulation should be expected.
The most important human resource challenge is retaining qualified staff. Comparative evidence suggests that the financial services industry is generally more successful in controlling turnover than many other segments of the contact centre sector.

**Recruitment and Retention**

Recruitment and retention are almost invariably identified as the most significant human resources management challenges facing the contact centre sector. In 2008, the National Association of Call Centers in the United States estimated that the cost of replacing a contact centre worker was $5,566.

High turnover rates are a message from the labour market. In essence that message is that human resources management strategies that were developed for an earlier period are no longer sufficient in the context of changed labour market conditions.

High dismissal rates and high quite rates are both attributable to human resource management policies. High dismissal rates reflect a weakness in recruitment and screening procedures that result in too many persons being hired who lack either the aptitudes or personality attributes that are required by contact centres. Equally, high quit rates may mean that hiring is targeting segments of the labour force that are noted for high turnover rates, *e.g.* students. Alternatively, high quit rates may arise because organizations are not dealing with what workers perceive as the negative aspects of employment in a contact centre environment. These may include the way that jobs are defined, the way that performance is monitored, remuneration standards, and opportunities for advancement (or the lack thereof).

Five strategies have emerged to address high turnover rates:

1. Selection based on ‘Job Congruence’ Principles
2. Strategic Re-Profiling of Demographics
3. Remuneration-based Strategies
4. Altering the Characteristics of the Work Environment
5. Altering the Characteristics of Jobs

How contact centres choose to tackle the turnover problem will largely determine the quality of jobs in the sector.
Recommendations

A chronic challenge in analyzing labour market trends in the contact centre sector is that occupational codes are based on skill and functional attributes and do not take account of working environments. Similarly, industry codes are based on the predominant characteristic of an organization’s output. The coding principles makes it impossible to measure employment trends in in-house contact centres which account for approximately 75-80% of jobs in the sector.

**Recommendation No. 1:**
Contact Centre Canada should work with HRSDC and Statistics Canada to develop occupational codes that better identify persons employed in a contact centre environment.

As noted earlier, 75-80% of contact centre employees work in in-house contact centres. Documenting and analyzing trends in in-house contact centres should be a priority for Contact Centre Canada. In light of the importance of contact centres as job generators, especially in smaller communities, an analysis of trends in in-house contact centres also will be relevant to provincial and local economic development offices. Analyses of vertical markets will also strengthen the relevance and effectiveness of Contact Centre Canada. Experience with ad hoc industry-based surveys suggests that the only reliable way to achieve the coverage needed is to administer vertical market surveys through Statistics Canada.

**Recommendation No. 2:**
Contact Centre Canada should work with Statistics Canada to develop a customized survey instrument that can be applied to vertical markets in which in-house contact centres predominate. The priorities for applying this customized survey instrument should be the financial services industry, the telecom industry, and the travel and accommodation industry.

Recruitment and retention are the most significant long-run challenge facing the contact centre sector. This report concludes that high turnover rates are directly related to human resources management strategies. The current economic downturn has relieved the sector from the severe pressures it was confronting prior to 2009. However, the employment outlook for the contact centre sector suggests that pressure from the labour market will return in 2011 or, at the latest, in 2012. Turnover will again become a serious challenge for the sector if the human resources management strategies that were developed in the period 1995 to 2005 are not altered.
**Recommendation No.3:**
Contact Centre Canada should undertake a study of turnover trends in contact centres and in the contact centre sector, as a whole to assist the sector in understanding the relationship between human resources management strategies and turnover trends. Contact Centre Canada should also engage the sector in discussions about turnover and the need to re-think the human resources management policies that are at the root of high turnover. This should be part of Contact Centre Canada’s broader mandate to develop labour market information products that better enable organizations to plan and implement their human resources investments.

How an organization understands its contact centre is a key determinant of its human resources management strategies. Contact Centre Canada can strengthen the internal position of contact centres in organizations by documenting how contact centres create value. This could include publishing case studies, developing a web-based library of industry white papers and scholarly research, and taking on an advocacy role within the sector for contact centres as value adders.

**Recommendation No.4:**
Contact Centre Canada should work with stakeholders to highlight the important role of contact centres as value-adders.

December 2009
1. Introduction

This report was commissioned by Contact Centre Canada – Centre de contact clientèle du Canada, with support from Human Resources and Skills Development Canada – Ressources humaines et Développement des compétences Canada.

The purpose of the report is to review current labour market and human resources management trends in the Canadian contact centre sector and to assess the implications of these trends for sector-based initiatives. The report also examines contact centres in the financial sector in more detail.

The study is based on a review of scholarly and trade literature, interviews with 36 industry leaders and public officials, and a survey of contact centres in the financial sector. This study benefited greatly from the advice provided by members of the Project Advisory Committee.

Chapter Two of the report reviews the history of the contact centre sector from its emergence as a distinct sector (around 1995) through to the present. The chapter focuses on the evolving interplay between the enabling technologies, labour market conditions, and exchange rate conditions. A key finding of this chapter is that *the human resource management strategies that emerged in the period 1995 to 2005 need to be re-assessed in light of how labour market conditions have changed.*

Chapter Three presents a more detailed demographic and employment profile of the contact centre sector. An important conclusion of this chapter is that the human resources profile of the sector is complex, in particular in regard to the types and quality of jobs in the sector.

Chapter Four reviews important technology trends and how these will affect human resources management over the next five years. Among the trends examined are: the growing importance of home-based agents and satellite contact centres, the increased use of self-serve technologies, notably the web and voice recognition applications, and increased sophistication of speech analytic applications.

Chapter Five considers how the contact centre sector will be restructured in light of changes in labour market and exchange rate conditions and in the technologies available. Chapter Five also sets out a five-year employment projection.

Chapter Six provides a more detailed profile of human resources in contact centres in the financial sector. The financial sector is important because it accounts for a large proportion of employment in the sector and is predominantly organized around in-house contact centres, rather than outsourcers.

Chapter Seven examines recruitment and retention challenges in the contact centre sector.

Chapter Eight presents conclusions and recommendations.
2. The Contact Centre Sector from 1995 to 2009

This chapter reviews the emergence and evolution of the contact centre sector from approximately 1995 to 2009.

Prior to 1995, large organizations handled their customer service functions through a mix of traditional correspondence centres, networks of service offices, and telephone-based call centres. By the mid-1990s, dramatic reductions in the cost of telecommunications prompted a migration of customer service functions to call centres. As access to the internet increased, these call centres became multi-channel contact centres. They also took on a significantly increased role in selling products and services, initially in the airline sector, IT and wireless telecoms, but subsequently in financial products and a range of other goods and services.

Figure No. 1 shows that in the contact centre sector, the labour market trends that are observed at the sectoral level are the cumulative result of human resource management and business strategies that are adopted at the enterprise level. In turn, these strategies are shaped by (1) the enabling technologies, (2) labour market conditions, (3) exchange rate conditions, and (4) customer feedback. The resulting labour market trends feed back and alter the labour conditions in which companies operate.
In Canada, the history of the contact centre sector is the history of how companies formulated their human resource management and business strategies in light of the technology options available to them and the equally important labour market and exchange rate conditions. The central point of this history is that the human resource management strategies that emerged under the technology, labour market, and exchange rate conditions that prevailed in the period 1995 to 2005 need to be re-assessed in light of how those conditions have changed.

1995 to 2000: Rapid Emergence

From approximately 1995 to 2000, the diffusion of the contact centre as a business model underpinned double-digit growth rates in contact centre employment. There are no reliable estimates of employment in contact centres prior to 2000. However, the rapid growth in the number of agent positions is evidence of how quickly large organizations embraced the contact centre as a business model. In Canada, the number of agent positions increased from just under 147,000 in 1995 to almost 513,000 positions in 2000 - a growth rate of more than 28% per year.¹ This rapid growth in contact centre employment was common to virtually every economy in the OECD.²

2000 to 2005: The Sector Takes Shape

By 2000, most large organizations had implemented contact centre strategies. During the period 2000 to 2005, three trends shaped the economic landscape for the contact centre sector:

- the rapid emergence of outsourcers,
- near-shoring, i.e., providing contact centre services to the U.S. market, and
- the emergence of off-shore centres.

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¹ NBI, Michael Sone & Associates, Canadian ACD Contact Centre Market Report

² Batt et al. estimate that in the 1990s contact centre employment in advanced economies increased by an average of 20% per year. Rosemary Batt, David Holman, and Ursula Holtgrewe, "The Globalization of Service Work: Comparative Institutional Perspective on Call Centers", Industrial and Labour Relations Review, Vol. 62, No. 4 (July 2009) p 465
Outsourcers:

Historically customer service functions were undertaken by direct employees of a company or by a network of affiliates. The emergence of the contact centre as the most efficient channel for undertaking many types of customer support provided an opportunity for outsourcers to enter this market on a large scale. Between 1995 and 2000, employment in business support services (NAICS 5614) increased by about 6,000 persons per year. Between 2000 and 2005, employment increased at double that rate, i.e., by around 12,000 persons per year. A study by Statistics Canada found that between 1998 and 2006, revenues in outsourced contact centres increased by almost 28% per year.

Between 2001 and 2006, Census data suggest that outsourcers accounted for almost 80% of employment growth in the contact centre sector.

The emergence of outsourcers as significant actors in the contact centre sector altered the sector’s economic landscape. The environment in which outsourcers operate is intensely competitive. The imperative to control costs is evident in outsourcers’ human resource management practices. Data analyzed by Batt et al. suggest that, compared to in-house contact centres, outsourcers are:

- more likely to service international markets,
- more likely to operate large facilities,
- more likely to focus on lower value sales transactions and outbound calling,
- likely to have higher levels of performance monitoring (often to meet client requirements),
- likely to have a greater proportion of part-time and temporary staff in their work force,
- likely to have higher rates of turnover, and
- likely to have lower overall salary structures.

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3 NAICS 5614 includes, but is not restricted to, telephone contact centres. The NAICS code for telephone contact centres is 56142. Statistics Canada does not release Labour Force Survey data at the five-digit industry level.

4 Richard Vincent and Larry McKeown, *Trends in the Telephone Call Centre Industry*, (2008), Statistics Canada 63F0002XUE – No. 053

5 ContactBabel, *North American Contact Centres in 2006*

6 Batt et al., op cit. p 470
Census data confirm the lower overall salary structures. Figure No. 2 compares average annual earnings for four occupations closely associated with contact centres. The comparison is between the all industries average and ‘Administrative and Support Services to Business (NAICS 5614)’ which includes, but is not restricted to outsourced contact centres. The annual earnings estimates are a blend of part-time and full-time earnings and should not be taken as equivalent to salary rates.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>All Industries Average</th>
<th>Administrative and Support Services to Business (NAICS 5614)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B533 Customer service representatives - Financial services</td>
<td>$25,631</td>
<td>$14,274</td>
</tr>
<tr>
<td>B553 Customer service, information and related clerks</td>
<td>$27,954</td>
<td>$16,606</td>
</tr>
<tr>
<td>B554 Survey interviewers and statistical clerks</td>
<td>$19,824</td>
<td>$10,237</td>
</tr>
<tr>
<td>C182 User support technicians</td>
<td>$39,689</td>
<td>$20,568</td>
</tr>
</tbody>
</table>

Near-Shoring:

In the period 2000 to 2005, Canada emerged as a competitive location for providing contact centre services to the United States. In some instances, U.S.-based companies established in-house contact centres in Canada to service the North American customer base. In most cases, however, the migration of U.S. contact centre work to Canada was the result of outsourcers in Canada competing successfully in the U.S. outsourcing market by offering a lower cost location without the risks associated with offshore locations. Some of these outsourcers were Canadian-based companies that sought out opportunities in the U.S. market. In many cases, however, the near-shoring phenomenon was driven by foreign direct investment that was attracted to the more competitive cost environment in Canada.

During the period from approximately 1998 to 2005, there was a significant flow of foreign direct investment into the Canadian contact centre sector. A study by the United Nations Commission on Trade and Development (UNCTAD) reported that in 2002 and 2003, Canada was second only to India as a destination for foreign direct investment in contact centres. For most of this period, the KPMG Competitive Alternatives cost model showed that the cost of establishing and operating a contact centre in Canada was 15-25% lower than in comparable population centres in the United States.

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7 UNCTAD, World Investment Report, 2004: The Shift Towards Services, United Nations, p 162

8 KPMG Competitive Alternatives
The near-shoring phenomenon significantly changed the character of the Canadian contact centre sector. This was especially the case in Atlantic Canada and Quebec where near-shoring operations appear to have accounted for 20-25% of overall employment in the contact centre sector. On a national basis, export markets accounted for somewhere around 15% of contact centre employment.9

**Offshoring:**

Off-shore centres initially arrived on the scene as a means of providing lower cost technical support for IT products. Subsequently, Indian-based business process outsourcers moved aggressively into the contact centre outsourcing market. U.S.-based outsourcers responded to this competition by opening their own facilities, first in India and then in the Philippines. Other offshore centres followed in rapid succession.

Off-shoring contact centre work held out the prospect of reducing operating costs for customer service by 40% to 60%. Companies soon learned that these cost reductions often entailed a reduction in customer satisfaction. Perhaps the most prominent instance of a company retreating from its off-shoring strategy was Dell Computer’s decision in 2004 to repatriate customer support for business accounts from India to North America. By 2005, the predominant strategy was segmentation of in-bound customer calls. Higher value transactions and higher value customers would be serviced by domestic contact centres, but lower value transactions and lower value customers would be routed to off-shore contact centres. Advancements in call routing technology and in voice-over-internet protocol (VoIP) facilitated this segmentation strategy. Most large outsourcers are positioned to accommodate this segmentation strategy by offering their clients the option to blend off-shore services with on-shore services. By 2005-2006, our industry interviews suggest that most organizations had settled on the mix of off-shore and on-shore services that was appropriate to their business strategy.

Overall, in the period 2000 to 2005, employment in contact centres appears to have increased by around 3-5% per year.

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9The only survey-based estimate is the *Canadian Call Centre Industry Study, 2006* which was undertaken by Danielle van Jaarsveld and Ann Frost as the Canadian component of *The Global Call Centre Report*. This survey estimated that approximately 35% of Canadian contact centres were primarily focused on export markets. However, this survey appears to have over-weighted subcontractors. Subcontractors are significantly more oriented to export markets than in-house contact centres, which are almost entirely focused on serving the domestic market. Our 15% estimate is based on scaling back the weight of subcontractors. A more conservative calculation can be derived from estimates developed by DataMonitor which suggest that in 2003 around 6% of agent capacity in Canada was focused on serving the U.S. market. DataMonitor, *Profiting from Canadian Call Center Outsourcing*, August 2003.
2006 to 2008: The Economic Landscape Changes

Between 2006 and 2008, the economic landscape changed in two fundamental respects:

- the appreciation of the Canadian dollar came to be seen as a permanent change in economic conditions, and
- higher overall levels of employment diminished the labour pool available to contact centres while at the same time putting upward pressure on labour costs and turnover rates.

**Canadian Dollar:**

Figure No. 3 shows that towards the end of 2003, the Canadian dollar moved out of the $0.65 to $0.75 corridor which had been the basis for Canada’s cost competitiveness.

The KMPG location cost model shows that Canada’s cost advantage disappears when the exchange rate exceeds $0.88. After 2007, therefore, Canadian contact centres had no appreciable cost advantage over U.S. locations, though some regions may have had advantages in terms of the relative quality of labour. The first impact of this change in relative costs was a decline in the flow of foreign direct investment into contact centres in Canada. The second impact was a significant deceleration after 2004 in the growth of exports, as can be seen in data for the export of commercial services (which includes contact centres).
By the end of 2008, near-shoring was no longer a driver of employment increases in Canada. Indeed, many outsourcers were struggling to retain the accounts they had secured prior to the Canadian dollar’s appreciation.

*Labour Market Conditions:*

*In Canada, the contact centre emerged and took shape under conditions of relatively high unemployment.* Indeed, for many governments contact centres were an attractive employment strategy owing to their need to recruit large numbers of workers. Figure No. 5 shows how significantly labour market conditions changed in most regions of the country.

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10 The use of Chained $2002 removes the effect of inflation.
In western Canada, the labour market moved from moderate slack in 1995-2000 to widespread labour shortages. In central Canada, labour market conditions also strengthened, especially in Quebec where unemployment declined from an average of 10.5% in 1995-2000 to 7.5% in 2006-2008. Atlantic Canada showed similar reductions in its unemployment rate. After 2006, in some communities, contact centre operators expressed concern about labour market saturation, i.e., too many contact centres attempting to recruit from a declining pool of available labour. Inevitably the change in labour market conditions put pressure on wage structures. As well, these changed labour market conditions also caused an increase in the rate of employee turnover and diminished the pool of workers with post-secondary qualifications available to the sector.

Quite simply, by 2008, the exchange rate conditions and labour market conditions that had prevailed when the contact centre sector took shape had changed fundamentally. Human resource strategies and business strategies that were predicated on a Canadian dollar in the $0.65 to $0.75 range and large pools of job-seekers were no longer as viable in 2008 as they had been previously.

During the period 2006 to 2008, employment growth in the contact centre sector clearly slowed as the factors which drove earlier growth either weakened or went into reverse. The growth of self-serve technologies – notably the web – provided companies with a highly attractive alternative to contact centres for certain types of transactions. Overall, employment in the sector appears to have increased by around 2-3% per year.

By 2008 employment in contact centres was approximately 3% of total employment, i.e. around 514,000 persons.¹¹

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¹¹ The labour force share estimate is consistent with previous studies and is also the estimate proposed by Batt et al for both the United States and Canada.
2009: Recession

In September of 2008, Canada was drawn into the global economic downturn. Interviews with industry leaders suggest that there were comparatively few lay-offs in contact centres. However, overall employment did decline as a result of some contact centres being closed and a reduction in hiring rates in many private sector contact centres. Data from Statistics Canada indicate that employment in business support services (which includes outsourced contact centres) was particularly affected by the economic downturn. Overall, it is estimated that employment in the contact centre sector declined by around 5% in 2009 in comparison with 2008.

Figure No. 6 shows that the recession's impact has differed significantly across regions. While every region has experienced an increase in unemployment, in Atlantic Canada and Quebec, the increase has been much less severe.

Without doubt, the recession has taken some of the pressure out of the labour market. Industry leaders report a reduction in turnover rates and an increase in job applications relative to vacancies. Some companies report wage freezes. These conditions, however, are likely to be temporary. The labour market pressures that companies experienced in 2006-2008 will re-emerge in 2011.

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12 Employment in business support services declined by over 15% between June 2008 and June 2009, based on Statistics Canada’s Survey of Employment, Payroll and Hours (SEPH).
**Canadian Dollar:**

Figure No. 7 shows that in the immediate aftermath of the downturn, the Canadian dollar fell to under US$0.80. This, however, was a temporary condition. By the spring of 2009, the Canadian dollar had recovered most of the ground it had lost in the previous autumn. Since early summer the Canadian dollar has generally been above the $0.88 which the KPMG location cost model identifies as establishing approximate cost parity between Canadian and U.S. contact centres. *The recession has not, therefore, changed the cost picture vis-à-vis the United States that emerged after 2006.*

![Graph showing Canadian Dollar in US Funds from January 2, 2008 to September 19, 2009](image)

*Figure No. 7
Canadian Dollar in US Funds – Daily Rate, January 2, 2008 to September 19, 2009
Bank of Canada*

*It would be a serious error to anticipate that the post-recession environment will restore conditions to where they were in 2008. In fact, the recession is likely to intensify some of the restructuring pressures that were evident prior to the economic downturn.*

The next chapter will present a more detailed demographic and employment profile of the contact centre sector.
3. Demographic and Employment Profile

Age and Gender Profile

The contact centre labour force is markedly younger than the overall employed labour force. Figure No. 8 contrasts the age structure (in 2006) in the contact centre sector to the age structure of the employed labour force in the economy as a whole.

As can be seen from Figure No. 8, the contact centre sector is considerably younger than the overall labour force. In most occupations, wages increase with age. As will be shown later in this chapter, this pattern is also evident in contact centre occupations. Consequently, an inference that may be drawn from Figure No. 8 is that recruiting from the youth labour force (the 15-25 age cohort) is an important cost containment strategy for many contact centres.

The greater reliance on the youth labour force is evident in all regions, but is especially marked in Atlantic Canada and in Manitoba. Figure No. 9 shows the proportion of contact centre employment in the age 15-25 cohort in each province.

---

13 The estimates are for occupations that are strongly associated with contact centre employment. It is not feasible to separate out only contact centre workers.
Preserving cost competitiveness by drawing heavily on the youth labour force will be an increasingly difficult strategy to sustain. On a national basis, the size of the age 15-25 cohort peaks in 2010-2011. In Atlantic Canada, the demographic peak has already been reached. Over the next ten years, the impact of this demographic trend will accumulate. By 2019, the significance of demographic pressures will be evident in all regions.

The contact centre sector is also predominantly female, except in user support occupations, which are predominantly male. Figure No. 10 shows the female share in seven occupations that are strongly associated with contact centre working environments. Although all but one of these occupations are predominantly female, it is noteworthy, however, that the largest – ‘Customer service, information and related clerks’ – is one-third male.
Figure No. 10
Female Share of Occupations strongly associated with Contact Center Employment
Statistics Canada, Census 2006 (Special Tabulation)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>B533 Customer service representatives - Financial services</td>
<td>84%</td>
</tr>
<tr>
<td>B524 Telephone operators</td>
<td>76%</td>
</tr>
<tr>
<td>G713 Airline sales and service agents</td>
<td>67%</td>
</tr>
<tr>
<td>B553 Customer service, information and related clerks</td>
<td>66%</td>
</tr>
<tr>
<td>B554 Survey interviewers and statistical clerks</td>
<td>64%</td>
</tr>
<tr>
<td>B575 Dispatchers and radio operators</td>
<td>48%</td>
</tr>
<tr>
<td>C182 User support technicians</td>
<td>27%</td>
</tr>
</tbody>
</table>

**Educational Attainment**

‘Customer service, information and related clerks’ account for just under half of estimated employment in the contact centre sector. In 2006, Census data indicate that 8.5% of workers in this occupation had not completed high school, while 38.8% had a high school completion certificate (or equivalent), but no further educational certifications.

*Between 2001 and 2006, the proportion of persons working as 'Customer service, information and related clerks' with low educational attainment increased from 32.3% to 47.3%.* Figure No. 11 shows this comparison.

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>2001</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school graduation certificate</td>
<td>13.2%</td>
<td>8.5%</td>
</tr>
<tr>
<td>High school graduation certificate only</td>
<td>19.0%</td>
<td>38.8%</td>
</tr>
<tr>
<td>Total: Low Educational Attainment</td>
<td>32.3%</td>
<td>47.3%</td>
</tr>
</tbody>
</table>

The marked change in the pattern of educational attainment between 2001 and 2006 is the result of two factors. On the one hand, labour market conditions improved in most regions. This improvement was especially evident in Atlantic Canada. On the other hand, competitive conditions also intensified as a result of the growth of off-shore alternatives, the expansion of the outsourcing sector, and the appreciation of the Canadian dollar. The intensification of competitive conditions limited the sector’s capacity to raise wages. As a result, many contact centre workers
with post-secondary qualifications took advantage of the improved labour market conditions to seek employment in other sectors. At the same time, the pool of workers with post-secondary qualifications available to the contact centre sector declined.

The 2006 Census shows that there were regional differences in the educational profile of the contact centre work force. Figure No. 12 illustrates these differences.

**Regional Distribution of Employment**

Figure No 13 shows the estimated regional distribution of contact centre employment and compares this distribution to total employment on an all-industries basis. In relation to overall employment, contact centre employment is somewhat higher in Atlantic Canada and Ontario and somewhat lower in B.C., Alberta and Quebec. In general, however, the regional distribution of contact centre employment approximates the regional distribution of employment on an all-industries basis.
Figure No. 13  
Regional Distribution of Contact Centre Employment  
based on Occupations strongly associated with Contact Centre Employment  
compared to Regional Distribution of Total Employment on an All-Industries Basis  
Statistics Canada, Census 2006

<table>
<thead>
<tr>
<th></th>
<th>Total Employment (All Industries)</th>
<th>Contact Centre Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newfoundland and Labrador</td>
<td>1.3%</td>
<td>1.5%</td>
</tr>
<tr>
<td>P.E.I.</td>
<td>0.4%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>2.7%</td>
<td>3.9%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>2.2%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Atlantic Region Sub-total</td>
<td>6.6%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Quebec</td>
<td>23.4%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Ontario</td>
<td>38.6%</td>
<td>41.6%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>3.6%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>3.1%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Alberta</td>
<td>11.6%</td>
<td>9.4%</td>
</tr>
<tr>
<td>B.C.</td>
<td>13.1%</td>
<td>11.4%</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Figure No. 14 shows that between 2001 and 2006, Atlantic Canada’s share of contact centre employment increased from 6.6% to 9.7%. This is consistent with the view that a number of employers in the sector were attracted to Atlantic Canada by the lower wages that generally prevailed in the region and by the payroll tax rebates that were a common development strategy. On the other hand, it is also noteworthy that Ontario’s share of contact centre employment also increased.

Figure No. 14  
Regional Distribution of Contact Centre Employment based on Occupations strongly associated with Contact Centre Employment 2001 and 2006  
Statistics Canada, Census 2001 and Census 2006

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newfoundland</td>
<td>1.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>P.E.I.</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>3.2%</td>
<td>3.9%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>3.5%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Atlantic Region Sub-total</td>
<td>8.4%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Quebec</td>
<td>23.6%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Ontario</td>
<td>39.9%</td>
<td>41.6%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>4.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>2.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Alberta</td>
<td>9.2%</td>
<td>9.4%</td>
</tr>
<tr>
<td>BC</td>
<td>12.2%</td>
<td>11.4%</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
The comparison of employment shares at the provincial level suggests that location advantages may not reside in provinces *per se*, but in communities. The employment change in ‘Customer service, information and related clerks’ in Nova Scotia illustrates this point. Between 2001 and 2006, the number of ‘Customer service, information and related clerks’ in Nova Scotia increased by 85%. However, 70% of this growth occurred outside Halifax, that is to say in smaller population centres. In smaller population centres in Nova Scotia, employment in contact centres (using ‘Customer service, information and related clerks’ as a proxy) almost tripled. A similar, though less marked, pattern was evident in British Columbia. Employment of ‘Customer service, information and related clerks’ increased by 28% between 2001 and 2006 in British Columbia. However, 61% of this increase occurred outside Vancouver, even though communities outside Vancouver accounted for only 47% of the province’s overall employment in 2006.

The KPMG Competitive Alternatives cost model suggests that, in Nova Scotia, wage costs in contact centres are 6-8% lower outside of Halifax. Similar wage savings can be realized in British Columbia by locating outside of Vancouver. In addition to these lower wage costs, turnover rates are also often lower in smaller communities, thereby affording an additional savings on overall labour costs.

There are two strategic difficulties that arise from relying on smaller population centres. The first is that these centres often have a higher proportion of workers who have low educational attainment. And second, most smaller population centres have below average rates of population growth. Indeed, some smaller population centres have stagnant or declining populations. Consequently, there is a limit to the capacity of the contact centre sector to draw on labour pools from small population centres. Previous studies have noted saturation problems in some communities.

**Industry Distribution of Employment**

Figure No. 15 shows the changes in employment by industry. Three trends stand out. The first is that the most important change in the industry shares of contact centre employment is the significant increase in ‘Administrative and Support Services’ (NAICS 56). This industry code includes outsourcers. The decline in the employment shares of most other industries is largely explained by companies in those industries opting for an outsource solution or an off-shore solution to meet their customer service requirements. *Between 2001 and 2006, Census data suggest that outsourcers accounted for almost 80% of employment growth in the contact centre sector.*
The second important trend is that *in-house contact centres appear to account for around four-fifths of contact centre jobs*. Although the outsourcing sector has expanded rapidly, and accounted for the lion’s share of employment growth in the past several years, the overwhelming majority of contact centre workers are still employed by in-house operations.

And finally, the third trend that is evident in Figure No. 15 is the that three industries – finance and insurance (NAICS 52), the public sector (which is NAICS 61, 62 and 91), and information and cultural industries (NAICS 51, which includes wireless telecom) account for almost half of employment in the contact centre sector and more than half of in-house contact centre employment.

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14 These data over-estimate the share of the finance and insurance industry. Census data do not distinguish between customer service representatives who work in bank branches from those who are employed in contact centres.
Earnings

Earnings across Occupations:

Many observers associate contact centres with low wage employment. And indeed, it is the case that the average full year / full-time earnings for all of the major occupations associated with contact centres are below the national average. However, when median earnings are compared the picture changes. The 'median' is the statistical observation that divides the top half of a data set from the bottom half. Unlike the average (or 'mean'), the median is not influenced by outliers. Although the average is the more commonly cited statistic, the mean is often a better indication of 'central tendency'. When median earnings are compared, some occupations exceed the 'all occupations' benchmark. More importantly, the difference between the earnings of contact centre occupations and the earnings of the 'all occupations' benchmark narrows considerably when the medians are compared. The picture that emerges from a comparison of median earnings is that contact centre jobs are more often paid below the 'all occupations' benchmark, but they are not paid dramatically less than the 'all occupations' benchmark. Figure No. 16 shows the comparisons.

<table>
<thead>
<tr>
<th></th>
<th>Full-Year / Full-time Earnings</th>
<th>Index (All Occupations = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Median</td>
</tr>
<tr>
<td>All Occupations</td>
<td>$51,221</td>
<td>$41,401</td>
</tr>
<tr>
<td>B524 Telephone operators</td>
<td>$28,937</td>
<td>$26,902</td>
</tr>
<tr>
<td>B533 Customer service representatives - Financial services</td>
<td>$32,639</td>
<td>$30,518</td>
</tr>
<tr>
<td>B553 Customer service, information and related clerks</td>
<td>$35,263</td>
<td>$33,336</td>
</tr>
<tr>
<td>B554 Survey interviewers and statistical clerks</td>
<td>$41,841</td>
<td>$33,319</td>
</tr>
<tr>
<td>C182 User support technicians</td>
<td>$46,697</td>
<td>$42,300</td>
</tr>
<tr>
<td>G713 Airline sales and service agents</td>
<td>$40,563</td>
<td>$43,294</td>
</tr>
</tbody>
</table>

Figure No. 16 also shows that there are significant differences across occupations. 'User support technicians' earn a quarter to a third more than 'Customer service, information and related clerks'. 'Survey interviewers and statistical clerks' command a wage premium over 'Customer service, information and related clerks' when averages are compared, though this premium vanishes when medians are compared. 'Airline sales and service agents' earn a considerable wage premium. Various factors may account for this wage premium, including, the influence of unions and traditionally higher wages in this industry. In many cases, the value of transactions in the airline industry or the value of particular customers will justify paying a wage premium to ensure a higher calibre of customer service.
Earnings across Industries:

Figure No. 17-A shows that there are significant differences in earnings across industries. The comparison in Figure No. 17-A is based on a special tabulation from the 2006 Census. The estimates reflect both full-time and part-time employment and cannot be compared with the data in Figure No. 16 which apply only to full-time employees.

In addition to showing the dispersion of average earnings across industries, Figure No. 17-A also shows the markedly lower earnings that prevail in outsourcing sector (which is included in Business Services). This reflects a number of factors, including the greater reliance on part-time employees, low rates of unionization, the greater likelihood of being located in a smaller community, and the concentration of the outsourcing industry on low-to-middle value transactions and customers.

Age Structure of Earnings:

It was noted earlier that the contact centre work force tends to be younger than the work force as a whole. Within the contact centre sector there is a marked relationship between earnings and age. Figure No. 17-B shows this relationship. As can be seen, workers in the age group 25-29 earn approximately 18% less than workers who are ten years older. Moreover, it should be borne in mind that this comparison is to workers whom the Census identified as being in the same occupation, that is to say, supervisors are not included.
Job Structure

Based on industry interviews, a review of the scholarly and trade literature, and Census data, there appear to be three tiers of contact centre jobs. These tiers are described in Figure No. 18.

<table>
<thead>
<tr>
<th>Tier Description</th>
<th>Characteristics</th>
<th>Estimated Share of Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier I - Advanced:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• complex, often technical inquiries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• high value customers and/or high value transactions (e.g., investment and travel products)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• b2b customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• low sensitivity to location costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• quality of labour pool is key location determinant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• low vulnerability to outsourcing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• strong preference for full-time, permanent over part-time, temporary worker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Tier I wages are 60%-100% (or more) above Tier III (entry level), depending on industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier II - Intermediate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• provide more complex information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• moderate opportunities for up-selling or cross-selling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• moderate value customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• moderate sensitivity to location costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• moderate to low vulnerability to offshoring and self-serve technologies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• wages tend to be 20-40% above Tier III</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40-50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier III - Entry Level:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• entry-level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• provide non-complex information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• script-based</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• order-taking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• tele-marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• most market-research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• high sensitivity to location costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• vulnerable to offshoring and self-serve technologies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• low wages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• vulnerable to significant increase in turnover when labour market tightens</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-40%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Employment share estimates are based on Census estimates of employment by industry and average annual earnings. Batt et al., op cit. estimate that about 80% of contact centre workers serve mass markets, while around 20% serve premium markets or business-to-business markets.
Employment conditions differ significantly across the three tiers. As well, vulnerability to outsourcing, offshoring and displacement by self-serve technologies is also markedly different across the three tiers. Chapter Five will incorporate this three-tier model into the employment outlook for the sector.

**Business Models**

Companies have a range of options in how they will organize their contact centre work and whom they will recruit to perform that work. Among the choices that are open to companies are:

- whether to outsource their contact centre work, and if so, what types of work to outsource,
- whether to offshore their contact centre work (either directly or through an outsourcers' services) and, if so, what types of work to send offshore,
- recruitment standards, in particular, experience and educational requirements,
- where to locate the contact centre and, by implication, whether the contact centre will be integrated into their other business operations, such that there are career ladders from the contact centre into the other business operations,
- what remuneration standards to adopt,
- the nature and types of training that should be provided to contact centre employees, including training that enables contact centre employees to move into other parts of a business' operations,
- the degree to which contact centre jobs should be segmented based on skill requirements.

How companies address these issues largely determines the quality of the jobs associated with contact centre work. A key factor in determining how companies will address their human resources management options is their view of their contact centre's primary relationship to their business objectives. Figure No. 19 presents a simplified continuum which is defined by two contrasting views of a contact centre's primary relationship to the business. These are respectively: the contact centre is primarily viewed as a cost centre or, alternatively, the contact centre is primarily viewed as a value-adding centre.
Figure No. 19 links the three-tier model of employment in contact centres (Figure No. 18) to how a company positions its contact centre in relation to its overall business objectives. Some companies situate themselves at the end-points on the continuum. The majority of companies, however, occupy an intermediate position. Where companies choose to position themselves on this continuum is a key determinant of their human resource management strategies. Companies that view their contact centres primarily as value-adding centres are reluctant to rely on outsourcers. Typically they will restrict their use of outsourcers to dealing with ‘off-hours’ or ‘peak load’ periods. These companies are also likely to have higher experience and educational requirements for contact centre employment. As well, these companies will have a greater propensity to invest in employee training. As a consequence of these training investments, these companies will also have more developed retention strategies, which include career ladders into other parts of the business’ operations. These companies are also more likely to locate their contact centres in the same facilities as other parts of their business operations.

By contrast, companies that put more emphasis on the cost centre view of their contact centre operations will make quite different human resource management choices. Tier II jobs, and some Tier III jobs are likely to be outsourced and possibly offshored. Contact centre operations will be located in communities where labour costs are lower. From a human resources perspective, the contact centre will not be integrated into the other parts of the business. There will be relatively little employee movement from the contact centre into other parts of the business. Contact centre jobs will be segmented to economize on requirements for better educated and more experienced workers. Training will be restricted to job requirements and efforts will be made to reduce training investments where this is feasible.
The business strategy view of contact centre operations has a number of implications:

First, some industries are likely to be more disposed to viewing contact centres as a cost function or a value-added function. Thus, some industries will tend to gravitate towards the cost centre end of the spectrum, while others will gravitate towards the value-adding end.

Second, within any industry there will be some measure of diversity in how contact centres are viewed. Thus, within the same industry, we will find companies that view their contact centres primarily as cost centres, while other companies hold a more nuanced view.

Third, the business strategy view of contact centres lead us to expect significant dispersion in employment conditions, rather than gravitation to a common mean.

Fourth business strategy with respect to contact centres is not fixed. Companies can modify their business view of their contact centres in light of new technology options, market research, changed cost conditions, or changes in business ownership.

Fifth, public policy and sector initiatives need to take account of the diversity in business strategies. Sectoral policies and initiatives will be perceived quite differently, depending on where a company positions itself on the business strategy continuum.

Conclusion

The demographic and employment profile of the contact centre sector is complex. Business strategies are important determinants of the human resource management strategies that companies adopt. The diversity in business strategies implies that there is considerable 'granularity' in the contact centre labour market. That is to say, a simplistic attachment to averages is deceiving. There is considerable dispersion around the observed averages. Changes in economic conditions can also prompt changes in human resource management strategies. Statistical profiles provide us with a snapshot of the sector. However, this snapshot is just a moment-in-time portrait. The evidence clearly shows that the sector has been changing rapidly in response to new technology options, changes in business thinking about the role of contact centres, and changes in underlying economic conditions.

The next chapter examines the key technology trends that are affecting the sector.
4. Technology Trends

This chapter examines technology trends which are likely to have a significant impact on human resources in the contact centre sector. Five trends are discussed:

1. Self-serve technologies,
2. Speech analytics,
3. Hosted systems,
4. Home-based or satellite-based agents, and
5. Text Messaging.

This list does not exhaust the technology trends in the contact centre sector. However, based interviews with industry leaders, these trends are the most likely to have a broad impact human resources.

Self-Serve Technologies

From a sectoral perspective, by far the most important technology trend in the contact centre is the diffusion and increased sophistication of self-serve technologies. These technologies enable organizations to migrate many low-level inquiries (Tier III jobs) to automated systems. Self-serve technologies include principally web-based services and voice recognition applications. Voice recognition applications include applications which require callers to select from options using their dial-pad and more sophisticated applications which are based on speech recognition software. Among the types of transactions which can be migrated to self-serve technologies are balance inquiries, address changes and account activations. Web systems can also handle product and service orders. Figure No. 20 summarizes cost estimates cited by an industry white paper for the use of various channels to handle a customer inquiry.
Figure No. 20
Estimate Cost of Using Various Channels for Customer Service
(Based on BiT Group, White Paper "Web Service Lowers Call Center Costs and Improves Customer Service", June 2003)

<table>
<thead>
<tr>
<th>Transaction Channel</th>
<th>Average Service Cost per Transaction</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Web Self-Service</td>
<td>$0.24</td>
<td>$0.05 to $0.50 depending on complexity of transaction and volume over which fixed costs can be amortized</td>
</tr>
<tr>
<td>Interactive Voice Recognition (IVR)</td>
<td>$0.45</td>
<td>$0.10 to $1.00 depending on complexity and volume</td>
</tr>
<tr>
<td>Email</td>
<td>$3.00</td>
<td>$2.50 to &gt;$4.00 depending on complexity and degree to which responses can be automated</td>
</tr>
<tr>
<td>Text Chat</td>
<td>$7.00</td>
<td>Significantly lower if agents can handle multiple chats concurrently. Also depends on duration, complexity and labour costs.</td>
</tr>
<tr>
<td>Telephone-based Customer Service Agent</td>
<td>$5.50</td>
<td>$2.00 to $12.00 depending on duration, complexity and labour costs</td>
</tr>
</tbody>
</table>

A market study by Frost and Sullivan estimated that, in five industries, self-serve technologies accounted for around 35% of total customer inquiries. In addition to cost-savings, participants in the study also cited customer satisfaction with the greater availability of service. Many also perceived self-service channels to require less time.

The cost-savings that arise from migrating transactions to self-serve technologies are so dramatic that it should be expected that companies will aggressively expand the use of these technologies to the point of customer resistance or a degradation of the market information that was otherwise generated by telephone-based customer service agents. The impact of self-serve technologies will be principally, though not solely, on Tier III jobs, that is to say on the types of jobs that are also most vulnerable to outsourcing and offshoring.

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16 Frost and Sullivan, Amdocs Customer Experience Research: What's Really Happening with Self-Service
Speech Analytics

Speech analytics applications are automated methods that analyze speech content with a view to identifying patterns that are useful in assessing customer satisfaction and interpreting market trends. Among the areas covered by speech analytics applications are:

- analysis of topic(s) being discussed through key word identification,
- identities of the speaker(s),
- gender,
- the emotional character of the speech,
- occurrence of speech versus silence.

Speech analytics potentially provides contact centres with an additional means to monitor and optimize agent performance and also to analyze data for marketing purposes.

Speech analytics applications were introduced in 2004. Speech analytics applications provide timely and automated trend analysis by tracking the customers’ use of certain words and phrases. This information makes it easy for supervisors and analysts to identify changes in consumer behaviour and make appropriate marketing or workforce management responses.

In 2007, DMG Consulting estimated that fewer than 2% of contact centres were using speech analytics applications. Recent reports in the trade suggest that market penetration is still less than 10%. In the next year or so, the high cost of speech analytics applications will limit their adoption to large contact centres. Nevertheless, DMG Consulting predicts growth rates of 50-100% per year for speech analytics applications between 2009 and 2012. If these projections prove well founded, a significant proportion of contact centres – perhaps as many 20% – will be using speech analytics applications by 2012.

Speech analytics applications potentially increase the value of a contact centre to those businesses that already view their contact centres as value-adding operations. The adoption of speech analytics technology, therefore, may reinforce a company’s commitment to viewing its contact centres as a value-adding operation. Consequently, speech analytics technology may reduce the attraction of outsourcing some types of Tier II jobs. Outsourcers, however, may offer a speech analytics service that meets clients’ requirements, thereby offsetting the in-house advantage.

Hosted Systems

Until recently, direct owning or leasing of technology was the only business option available to an organization that wished to operate an in-house contact centre. More recently ‘hosted services’ have been made available. A hosted solution entails accessing system management applications over the internet. These include: automatic call distribution (ACD) applications, automated dialling applications, interactive voice response (IVR) applications, workforce management applications, and various service management, quality assurance, analytics, and reporting applications.

17 DMG Consulting, 2008 Speech Analytics Market Report

18 CRM.com, Christopher Musico, “Envision takes a real look at speech”, June 13, 2009
applications. With hosted applications callers reach a central contact point at the hosting company. Their call is then routed to the appropriate contact centre operated by the client. Hosted solutions replace front-end capital costs with monthly service charges. As well, hosted solutions also allow clients to scale up or down, as their business conditions require, without having to acquire additional fixed capacity or alternatively have redundant capacity. The hosting company also upgrades applications as part of its service, thereby removing the need for subsequent investments to maintain technical currency.

When capital costs for technology are amortized, technology costs account for approximately 10-15% of a contact centre’s operating costs. Technology costs are somewhat invariant to the size of a contact centre. Thus, large contact centres can amortize their technology costs over several hundred agent positions and over a large volume of agent transactions while small contact centres must amortize approximately similar costs over a much small agent and transaction base. Large contact centres may also enjoy more favourable leasing costs. For many small and medium-sized companies, these scale economies enjoyed by large contact centres added to the incentive to move from in-house solutions to outsourced solutions. For companies which were contemplating how to best provide contact centre services, the substantial capital costs of an in-house solution were undoubtedly a consideration that weighed in favour of turning to an outsourcer. Hosted solutions, however, alter the economies of scale picture in the contact centre sector. Hosting enables a small or medium-sized company to operate an in-house contact centre on approximately similar technology cost terms as are enjoyed by a large outsourcer and to avoid up-front capital costs. While other factors may still make outsourcing attractive to small and medium-sized organizations, hosting reduces the importance of technology costs and start-up costs as factors favouring outsourced solutions.

Home-Based and Satellite-Based Agents

In March 2008, the Canadian Marketing Association noted that the trend toward home-based agents is growing. Datamonitor has identified home-based agents as one of the leading trends to watch in 2009 and specifically recommends that companies explore the relevance of this model to their business needs. Industry surveys show that approximately half of respondents are exploring the use of home-based agents. Our interviews with industry leaders found that many companies are conducting pilot projects to ascertain the viability of this model. Industry white papers suggest cost-savings of 10-15% from avoided facilities costs, reduced turnover rates, and productivity improvements of up 10-20%. As noted in a previous Contact Centre Canada study, the early evidence on home-based agents suggested that they tended to be somewhat older and somewhat better educated than traditional on-site agents.

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20 Datamonitor, 2009 Trends to Watch: Contact Center Outsourcing and Services
21 Contact Centre Canada, Customer Contact Centres in Canada: The Impact of Offshoring, Technology and Regulation on Human Resources (April 2006), and Contact Centres in Canada: The Impact of Current Trends on Human Resources (March 2007). Both studies were prepared by Prism Economics and Analysis.
IDC has estimated that by 2010, home-based agents will account for around one quarter of outsourced customer agents in the U.S. There are no published estimates for Canada, though the evidence from industry interviews suggests that if recent pilot projects show satisfactory results, a surge in home-based agents should be expected.

At present, home-based agents represent only a small proportion of total employment, probably less than 5%. Until there is more evidence from pilot projects, it would be rash to predict the potential share of contact centre employment that could be home-based. Several factors contribute to uncertainty. First, there is little information on the actual size of the potential pool of home-based agents. Second, the remuneration costs for home-based agents are likely to increase if demand grows at the rate that some observers anticipate. This will alter the cost picture. Third, low turnover rates, which are a major attraction of the home-based model, are also likely to increase if home-based agents have more employment opportunities. Again, this would alter the cost picture. And finally, employer liability for occupational injuries and data security could be a more serious issue if the home-based model becomes more widespread. A major security breach involving home-based agents would reduce the model’s traction with large organizations.

Satellite-based agents are a less discussed option in the trade press and industry white papers, but may prove to be an attractive option. Satellite-based operations allow a small number of agents (usually fewer than 10) to work from a single location that is linked to a central administration hub. Satellite-based operations allow greater managerial control of the work process, thereby reducing the risk of security breaches or occupational injuries in workplaces over which an employer has no control. At the same time, satellite-based operations also reduce employees’ commuting requirements and provide the social interaction benefits of working in a small workplace.

The technology to support both home-based agents and satellite-based agents has been available for approximately three years. The delay in taking advantage of this technology is explained by the need for organizations to develop and feel comfortable with new organizational and management models. Early anecdotal evidence suggests that both the home-based agent model and the satellite-based agent model are viable, if the organizational and managerial requirements are in place. The next two to three years will determine the degree to which these models can be sustained when they move beyond the pilot project stage.
**Text Messaging (SMS)**

In some vertical markets, mobile devices have become an important channel for reaching a contact centre. This is especially the case in the wireless telecom market and increasingly a trend of importance in the financial services industry. A mobile device enables a customer to reach a contact centre by wireless telephone connection, email, text message, or through the web. Text messaging, in particular, offers significant cost reductions in comparison with voice interaction. In the U.S., First National Bank reports that text messaging now reaches 80% of its customer base. Text messaging systems lend themselves to a significant degree of automation for low-level inquiries such as account balances. Text message interaction can also be offshored without the negative customer feedback that is often associated with offshoring voice-based interaction.

Survey data suggest that approximately 25% of contact centres are using text messaging, though this proportion is expected to rise significantly over the next few years. Text messaging capability is now a standard option in most commercial application suites available to contact centres.

The principal human resources impact of text messaging is to reduce the demand trajectory for Tier III (entry level) customer service representatives.

**Conclusion**

Among the many technology trends in the contact centre sector, five trends are most likely to affect human resources. These are (1) the migration of non-complex, script based interactions to self-serve technologies, (2) the rapid diffusion of speech analytics applications, (3) the emergence of hosted applications options for companies considering whether to outsource small contact centres or operate them on an in-house basis, (4) widespread business interest in the viability of home-based or satellite-based agents, and the use of text messaging as an alternate channel for customer interaction. These trends are important because their widespread adoption will change the structure of employment in the contact centre sector. Chapter Five considers the impact of these technologies on the overall employment outlook for the contact centre sector.

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22 “Call Centers say Yes to Clickatell SMS and save Millions”, ContactCenterWorld.com, August 21, 2008
5. Post-Recession Outlook

Five drivers will shape the outlook for contact centre employment over the next five years:

1. Diffusion of the contact centre as a business model,
2. Demand for customer service,
3. Near-shoring, i.e., the export of contact centre services to the United States,
4. Off-shoring of contact centre work, and
5. Technology trends.

Diffusion of the Contact Centre as a Business Model

There are few large organizations that have yet to embrace the contact centre as a business model for handling customer service. Health and education are the only large sectors where the contact centre is under-utilized as a business model.

In small and medium business enterprises, there appears to be more scope for diffusion of the contact centre as a business model. These types of organizations, however, are more likely to be attracted to outsourced or self-serve solutions.

In most respects the contact centre market is now a mature sector. Further diffusion of the contact centre business model is unlikely to have a significant impact on employment trends.

Demand for Customer Service

Demand for customer service is met by domestically-based agents and by offshore agents. We do not have data on the extent to which different industries meet their customer service requirements by using offshore agents. Figure No. 21 shows the approximate distribution of demand for domestically-based customer service representatives. These estimates are based on 2006 Census data and a 2006 market study by ContactBabel.²³

²³ ContactBabel, *North American Contact Centres in 2006: The State of the Industry*
Contact Centre Canada

Figure No. 21
Estimated Distribution of Demand for Domestically Based Customer Service Agents

<table>
<thead>
<tr>
<th>Industry</th>
<th>Demand Distribution (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and Insurance</td>
<td>25-35%</td>
</tr>
<tr>
<td>Information and Cultural (incl Wireless Telecom and Internet Providers)</td>
<td>10-15%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>10-13%</td>
</tr>
<tr>
<td>Wholesale (b2b)</td>
<td>6-8%</td>
</tr>
<tr>
<td>Retail</td>
<td>5-10%</td>
</tr>
<tr>
<td>Manufacturing (b2b and consumer)</td>
<td>5-10%</td>
</tr>
<tr>
<td>Transportation, Warehousing</td>
<td>5-8%</td>
</tr>
<tr>
<td>All Other</td>
<td>15-25%</td>
</tr>
</tbody>
</table>

In the private sector, the demand for customer service reflects overall trends in business and consumer spending and the introduction of new products and services. The latter is particularly evident in wireless telecoms services and IT products.

In 2010 and 2011 the Bank of Canada anticipates that the Canadian economy will grow by 3.0% and 3.5% respectively. Consumer demand will grow by less than half this rate. After 2011, overall economic growth is likely to be in the range of 2.5% to 3.5% with consumer spending growing at a somewhat lower rate.

In some industries, notably telecoms and IT, the obsolescence cycle drives replacement demand. As well, business and consumer expectations of customer service have increased and are continuing to increase. Taking these factors into account suggests that the demand for customer service will increase at a somewhat faster rate than growth in economy as a whole.

Near-Shoring: Export of Contact Centre Services

Near-shoring is predominantly a segment of the outsourcing market, although there are some U.S. companies that have established their in-house contact centres in Canada. Over the next five years, in light of the appreciation of the Canadian dollar, the export of contact centre services to the U.S. is unlikely to be a source of significant employment gains. Indeed, it is possible that the export of contact centre services will contract as American companies respond to weaker labour market conditions in the United States by repatriating some of this work. Additionally, weakness in the U.S. economy will constrain export growth, even if repatriation is not a significant trend. Based on these trends, the outlook for exported contact centre services is essentially flat.

**Off-shoring**

Most businesses have settled on the mix of off-shore and on-shore services that is appropriate to their business strategy. It is unlikely that this balance will be significantly re-cast over the next five years. Nevertheless, the recession will dictate further cost-cutting efforts which, in turn, will increase the attraction of off-shore providers. A moderate increase in the amount of contact centre work that is off-shored is plausible.

**Technology**

From a forecasting perspective, the most important technology trend is the substantial investment that organizations are making in self-serve channels which reduce the customer's need to interact with a customer service representative. The principal self-serve channel is the web, though voice recognition technologies also play an important role. As noted in the previous chapter, successfully applied self-serve technologies can reduce the cost of customer interactions by up to 90%, in comparison with a customer service representative. Most industry leaders regard self-serve technologies as significantly more important that off-shoring in terms of its impact on long-run human resources requirements. Based on our interviews with industry leaders, it would appear that most companies are targeting a migration of 10-20% of their contact centre interactions to self-serve channels.

Other technology trends are also important. Call distribution technologies, knowledge management systems, and integrated desktops reduce the amount of time that a customer service representative must spend handling a call. Reduced cycle times translate into increased productivity and lower overall labour requirements.
Employment Outlook

Based on the foregoing discussion, Figure No. 22 sets out employment estimates for the next five years.

<table>
<thead>
<tr>
<th>% Change in Employment Requirements per Year</th>
<th>Low Employment Growth Scenario</th>
<th>High Employment Growth Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diffusion of Contact Centre Model Impact</td>
<td>0.00%</td>
<td>0.25%</td>
</tr>
<tr>
<td>General Customer Service Demand Impact</td>
<td>3.00%</td>
<td>4.25%</td>
</tr>
<tr>
<td>Export Markets Impact</td>
<td>-0.25%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Off-shoring Impact</td>
<td>-0.25%</td>
<td>-0.15%</td>
</tr>
<tr>
<td>Technology Impact</td>
<td>-2.50%</td>
<td>-2.00%</td>
</tr>
<tr>
<td>Overall Employment Growth Projection</td>
<td>0.00%</td>
<td>2.35%</td>
</tr>
</tbody>
</table>

| Employment Estimate (2008)                  | 514,000                         |
| Employment Estimate (2009)                  | 478,000                         |

| Average Annual Employment Growth 2010-2014  | nil                             | 11,200                          |
| Projected Employment 2014                  | 478,000                         | 534,000                         |

As can be seen from Figure No. 22, over the next five years, employment is expected to be flat in the low growth scenario, but to increase by 2.35% per year in the high growth scenario. Differences in the pace of the recovery and the rate of investment in self-serve technologies are the principal differences between the low growth and high growth scenarios.

The low growth scenario anticipates GDP growth in the range of 2.5% per year (and a consequent growth in customer service demand of 3.0%) whereas the high growth scenario anticipates GDP growth of 3.5% (and a growth in customer service demand of 4.25%). In terms of technology impacts, the low growth scenario foresees fairly rapid investment in self-serve technologies eliminating about 10-15% of demand for customer service representatives over five years. The high growth scenario reduces this impact.

Contact centres will continue to account for around 3% of all jobs in the Canadian economy. In some regions, contact centres will continue to account for a much higher proportion of local employment. The pattern of change that has been evident for the past three to five years will continue, namely low value transactions will be migrated to self-serve channels or off-shore facilities while higher value transactions will continue to be handled through domestic contact centres.
Impact of Growth Outlook on the Structure of Employment in Contact Centres

The overall employment projections set out in Figure No. 22 tell only part of the story. In both the low growth and high growth scenarios, new jobs will be created, while other jobs will be lost. In the main, the job loss will be focused on Tier III and, to a lesser degree, on Tier II jobs. These are the jobs that are most vulnerable to displacement by self-serve technologies, offshoring and the loss of near-shoring work. Figure No. 23 sets out estimates for employment change in terms of the three-tier structure described in Chapter Three.

### Figure No. 23

**Employment Growth Projections by Job Tier**

**Annual Trend Change in Employment in Contact Centres**

<table>
<thead>
<tr>
<th>Annual Trend Change in Employment in Contact Centres 2010 to 2014 (Prism Economics and Analysis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Rates:</td>
</tr>
<tr>
<td>Tier I</td>
</tr>
<tr>
<td>Tier II</td>
</tr>
<tr>
<td>Tier III</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier I</td>
</tr>
<tr>
<td>Tier II</td>
</tr>
<tr>
<td>Tier III</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The projections in Figure No. 23 suggest that over the next five years, *even in the low growth scenario, there will be an increase in the number of Tier I and Tier II jobs. By contrast the employment outlook for Tier III jobs is, at best neutral, with net job loss in this tier being more likely.*

**Conclusion**

The contact centre sector is now a mature sector. The period of rapid employment growth is over. The next five years will see employment growth somewhere between zero and 2.35% per year. In the slow growth scenario, the sector will not recover the jobs that were lost in the recession. In moderate to high growth scenarios, the sector recovers these jobs and also adds jobs. Perhaps of greater significance than the overall changes in employment is expected change in the composition of employment. There is likely to be a reduction in the number of Tier III jobs. By contrast, in both the low growth and high growth scenarios, there will be an increase in Tier I and Tier II jobs.
6. Focus on the Financial Services Industry

This study examined several segments of the financial services industry. Specifically, the study focused on:

- chartered banks,
- credit unions with permanent offices and/or branch structures,
- life and health assurance companies,
- payment processors,
- and credit card issuers.

Mutual fund companies, investment dealers, collection agencies, and property and casualty insurers were not covered in the study.

The discussion in this chapter is based on Census data, interviews with 21 contact centre managers in the financial services industry, and survey returns. A total of 12 companies participated in the survey. The contact centres represented by these companies employed approximately 3,600 persons. The surveys were completed in the spring and summer of 2009. For reasons of confidentiality, only aggregated data are presented.

It should be noted that there are significant data limitations when studying in-house contact centre operations. These limitations are especially evident in the financial services industry. In the first place, Census data do not identify occupations based on their work environment. That is to say, there are no clear-cut Census codes that identify which workers in an occupation are employed in a contact centre environment and which are employed in branch offices or head offices. Second, while there are some occupations that are strongly associated with contact centre working environments, there are many occupations which are not strongly associated with contact centres, but which are nevertheless represented in the contact centre work force. As a result of these data limitations, the estimates offered in this chapter should be interpreted as approximations, rather than precise measures.

Profile of the Financial Services Industry

The financial services industry is a national industry. There are contact centres in the financial services industry in every region of the country. The segments of the financial services industry addressed in this study account for approximately 3.3% of employment in Canada. In the contact centre sector, however, the financial services industry looms much larger. Census and market study data suggest that the financial services industry may employ as many as 15-17% of persons working in the contact centre sector, and possibly more. As more financial products are migrated to contact centres for customer service, the share of this industry in the contact centre sector will increase.

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25 Census data which overestimate the financial services industry share (owing to occupational coding issues) suggest a share of around 20%. ContactBabel, op. cit., suggests a share of 14.7%
As noted in the introduction to this chapter, a precise measure of contact centre employment is not feasible, since Census data do not distinguish between customer service staff who are employed in bank branches and those who are employed in contact centres.

Figure No. 24 provides a tabulation of the approximate number of companies in the segments of the financial services industry examined in this study:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chartered Banks</td>
<td></td>
</tr>
<tr>
<td>Schedule I Banks</td>
<td>19</td>
</tr>
<tr>
<td>Schedule II Banks</td>
<td>25</td>
</tr>
<tr>
<td>Schedule III Banks</td>
<td>20</td>
</tr>
<tr>
<td>Life and Health Insurance Companies*</td>
<td>66</td>
</tr>
<tr>
<td>Credit Card Companies</td>
<td>12</td>
</tr>
<tr>
<td>Payment Processors</td>
<td>15</td>
</tr>
<tr>
<td>Credit Unions with permanent full-time offices/branches</td>
<td>64</td>
</tr>
</tbody>
</table>

* A number of Life and Health Insurance companies have more than one operating company

The financial services industry provides a range of financial products. In one way or another, virtually every Canadian household is a customer of the financial services industry. Some financial products are too complex to be handled through contact centres. However, an important trend has been the use of contact centres to market ever more complex investment and insurance products. These include mutual fund investments, GIC investments, mortgages, and various types of insurance products – all of which can now be transacted through contact centres, and, in some cases, through the web. As well, most banks offer a telephone banking option to their customers.

Regulatory restrictions limit the ability of some institutions to undertake business in certain types of products and services. For the major chartered banks, however, the trend over the past two decades or more has been to enter non-traditional fields. These include property insurance, mutual funds, leasing, and payments processing. Six of the Schedule I chartered banks own investment dealers, although regulation ensures that these operations are managed separately from traditional banking activities. In addition, the major chartered banks also operate discount brokerages which are premised on low cost service through the web and contact centres. The Caisses Desjardins (which is regulated as a credit union) also operates an investment dealer subsidiary and an insurance service, in addition to its retail banking operations.

There are no asset limits on Schedule I banks. Most provide regular, retail banking services through branches, contact centres, and the web. Two banks (ING Direct and Citizens' Bank) provide services only through the web and contact centres.26

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26 Citizens’ Bank is a Schedule I bank. ING Direct is a Schedule II bank, and is therefore subject to overall limits on the scale of its operations in Canada.
The range of products and services provided by the financial services industry vary in complexity. In the consumer market, the least complex transactions are those involving balance inquiries and basic deposit or account transfer transactions. Transactions involving investment products are more complex and, in some instances, are also subject to competency regulations. Still more complex are insurance products and loans. Prior to dealing with most investment products (other than savings accounts and GICs), customer service representatives must first complete training approved by regulatory authorities. These include comparatively demanding courses offered by the Canadian Securities Institute and the Investment Funds Institute of Canada. Similar qualifying training applies to persons handling insurance products. Most life insurance companies also sell investment products which are similarly regulated. In addition to these training programs, the major financial institutions also provide extensive in-house training to their staff. This training includes customer relations training, product training and specialized training for loans officers. More experienced staff also receive leadership and management training. The major banks and insurance companies all operate large training centres to deliver their in-house training programs.

Figure No.25 shows the relative importance of different channels in retail banking, based on a 2006 survey by the Canadian Bankers Association.

<table>
<thead>
<tr>
<th>Primary Banking Methods</th>
<th>2006 Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teller</td>
<td>29%</td>
</tr>
<tr>
<td>Automatic Bank Machine</td>
<td>33%</td>
</tr>
<tr>
<td>Online</td>
<td>27%</td>
</tr>
<tr>
<td>Telephone</td>
<td>8%</td>
</tr>
<tr>
<td>Combination</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>103%</strong>*</td>
</tr>
</tbody>
</table>

* Owing to multiple selection and rounding, total does not sum to 100%

Figure No. 25 shows that telephone banking accounts for 8% of preferred interactions between customers and their Banks. However, a far greater proportion of bank customers will use telephone inquiries to address a particular need. Figure No. 25 also shows how important self-serve technologies are to banks, accounting for 60% of the customers' preferred modes of interaction.
Most banks pursue a ‘relationship deepening’ strategy with their customers, that is to say, rather than focus on single transactions, banks endeavour to expand the number of financial services a customer uses. This puts a premium on customer satisfaction, since the propensity of a customer to use other services will be affected by their experience with the services they currently use. Customer contact centres play a potentially important role in this ‘relationship deepening’ strategy. In the context of ‘relationship deepening, the value to a bank of its contact centre can exceed significantly the profit that may be generated by any single contact centre-based transaction.

Reputation and public confidence are critical in the financial services industry. As a result, companies in this industry are understandably conservative. The financial services industry adopts innovations only after their reliability has been established.

**Outsourcing and Offshoring**

The activities of the financial services industry are closely regulated by both the federal and provincial governments. Data security and customer confidence in that security are high priorities for all companies in the financial services industry. For this reason, *outsourcing plays only a limited role in this industry*. Virtually all customer service functions, and most marketing functions, are conducted through in-house contact centres. These same security (and regulatory) concerns also limit the attraction of offshore options.

*In general, the companies that were interviewed or that participated in the survey, report using outsourced resources to handle less than 10% of their requirements. Most do not expect their use of outsourcers to expand.* Some companies report using no outsourced resources. In general, outsourced resources were used for outbound marketing calls, customer satisfaction studies, and handling calls in minority languages.

U.S.-based companies operating in Canada’s financial services market reported a greater use of both outsourced and offshore resources. It was suggested that as Canadian banks increase their commercial presence in the American and Mexican markets, there may be a trend to integrate and rationalize customer service functions on a continental basis.

**Employment Structure of Contact Centres**

Figure No. 26 provides a generic picture of the employment structure of contact centres in the financial services industry, based on industry interviews and survey returns.

<table>
<thead>
<tr>
<th>Employment Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>2-3%</td>
</tr>
<tr>
<td>Team Leaders</td>
<td>5-7%</td>
</tr>
<tr>
<td>Customer Service Representatives</td>
<td>85-90%</td>
</tr>
<tr>
<td>Administrative Support</td>
<td>5-6%</td>
</tr>
</tbody>
</table>
As can be seen from Figure No. 26, 85-90% of contact centre employees are customer service representatives. The ratio of team leaders to representatives is about 15:1, although this can range from a low of 19:1 to a high of 11:1. ‘Administrative support’ encompasses various specialized roles including: workforce management, quality assurance, facilities management, and technical support. Many contact centres are also supported by specialized human resources management staff.

Industry interviews confirm the validity of grouping customer service representatives into three tiers (See Figure No. 18 in Chapter Three). The proportion of staff in these tiers varies, depending on the focus of the contact centre. In some contact centres 85% of customer service staff were in Tier II jobs, with only a 12% in Tier III entry jobs and 3% in the Tier I jobs which deal with complex inquiries and transactions. In other contact centres the proportions were quite different with 35% of customer service staff in Tier II and Tier III jobs, and 30% in Tier I jobs.

Survey data do not provide a sufficient sample to formulate overall industry estimates. Based on industry interviews, however, the following estimates can be made:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Description</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>III</td>
<td>Entry Level</td>
<td>30-40%</td>
</tr>
<tr>
<td>II</td>
<td>Intermediate Complexity in Transactions and Inquiries</td>
<td>30-50%</td>
</tr>
<tr>
<td>I</td>
<td>More Complex Transactions and Inquiries</td>
<td>10-20%</td>
</tr>
</tbody>
</table>

Industry interviews suggest that agents handle approximately 90 calls per day, with average call time ranging from 5 minutes to 15 minutes.

Demographics

Specific demographic data on the financial services industry were obtained from a special Census tabulation. Based on interviews with senior managers of contact centres in the financial services industry, the pattern of employing a younger work force generally applies. However, compared to the contact centre sector as a whole, there are proportionately fewer employees in the financial services industry age 25 and under and proportionately more in the age group 26-30. As will be discussed later in this chapter, many companies in the financial services industry are exploring strategies to change their age demographics in an effort to deal with turnover and retention challenges.

Census data indicate that contact centre employees in the financial services industry are predominantly female – approximately 80-85% in banking and 75-80% in insurance.
Wage and Salary Trends

Regional Patterns:

Figure No. 28 compares average annual earnings in contact centre occupations in the financial services industry with the all industries average.

<table>
<thead>
<tr>
<th></th>
<th>All Industries</th>
<th>Financial Services</th>
<th>Financial Services: Above or Below All Industries Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>$29,646</td>
<td>$26,857</td>
<td>below</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>$22,550</td>
<td>$24,386</td>
<td>above</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>$22,300</td>
<td>$25,553</td>
<td>above</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>$22,126</td>
<td>$24,157</td>
<td>above</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>$23,624</td>
<td>$23,882</td>
<td>above</td>
</tr>
<tr>
<td>Quebec</td>
<td>$29,214</td>
<td>$26,480</td>
<td>below</td>
</tr>
<tr>
<td>Ontario</td>
<td>$31,275</td>
<td>$28,472</td>
<td>below</td>
</tr>
<tr>
<td>Manitoba</td>
<td>$26,421</td>
<td>$23,930</td>
<td>below</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>$28,276</td>
<td>$25,625</td>
<td>below</td>
</tr>
<tr>
<td>Alberta</td>
<td>$32,085</td>
<td>$25,043</td>
<td>below</td>
</tr>
<tr>
<td>British Columbia</td>
<td>$29,599</td>
<td>$26,061</td>
<td>below</td>
</tr>
</tbody>
</table>

As can be seen in Figure No. 28, in the Atlantic region, the financial services industry is generally about 8-10% above the all industries average. In the rest of the country financial services is below the national average.

The relationship between the all industries average and the financial services average at the local level is shown in Figure No. 29 which compares average wages in selected census areas in ascending order. A trend line has been added to show the relationship more clearly.

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27 It should be noted that through the discussion in this section, the average annual earnings is a blend of part-time and full-time employees.
Figure No. 29 confirms that in regions where the all industries average is below the national average, the financial service sector tends to pay wages that exceed the all industries average. Conversely, in regions where the all industries average is greater than the national average, the opposite pattern holds: the financial services industry pays less than the all industries average. Moreover, the difference increases as the all industries average rises.

**Education Premium:**

A well documented trend in the labour market is that annual salary income increases with education. This is usually termed the ‘education premium’. There are notable differences in the education premium in contact centres when the all industries average is compared to the financial services industry. Figure No. 30 shows average annual wage and salary income as a ratio of the lowest group, namely employees who did not complete high school.
Overall, the education premium in the financial sector is somewhat lower than the all industries average, though this is not the case in all regions. Figure No. 31 shows the regional differences in the education premium for college and university trained employees in the financial services contact centres. The premium is generally much higher in Atlantic Canada (except in PEI where low sample sizes may have influenced the results). The higher education premium paid in Atlantic Canada is also consistent with contact centre earnings in the financial services industry being higher than the all industries average for contact centre earnings in that region.
There was unanimity across both interviews and survey returns that the most important technology trend is the move to self-serve applications, including both the web and IVR technologies. Industry leaders expect self-serve applications to have two effects. The first is to significantly reduce the pressure to expand contact centre operations. While the majority of industry leaders anticipate further growth in contact centre employment, they see that growth as being comparatively modest. A minority of industry leaders expect that self-serve technologies (coupled with other trends, such as off-shoring) will reduce overall employment. The second impact of self-serve technologies will be to reduce Tier III jobs, i.e., fewer entry-level jobs and jobs that handle comparatively simple, script-based inquiries or transactions.

A second trend of importance is the increased use of chat, email, and text messaging channels. While these channels account for a minority of contact centre interactions, their proportion is increasing. Contact centre managers believe that these channels will offer more cost-efficient service to customers. Efforts will be made, therefore, to migrate customers from telephone-based service to these channels where that is feasible. Migrating customer support to email, chat and text messaging channels has a productivity effect, that is to say, for the same volume of customer support, fewer customer service representatives are required. However, an important reality in customer service is that demand tends to grow in tandem with (or more rapidly than) the capacity to meet that demand. It is unlikely, therefore, that the productivity gains from migrating customer support to email, chat and text messaging will significantly reduce employment levels, though these technologies will reduce employment growth. Contact centre managers consider changes in skill requirements more important than any notional reductions in labour requirements. The distinctive skill requirements associated with email and chat are competent spelling and grammar, and the ability to understand a customer’s needs based on his or her written communications.

A potential trend that some contact centre managers noted is the use of instant messaging to provide customer support. Instant messaging is attractive to contact centre managers because it migrates customer support away from telephone-based support. However, unlike email support, instant messaging does not allow work to be accumulated and scheduled. Nor does instant messaging lend itself to multi-customer servicing in the same manner as chat. On the other hand, text messaging is necessarily an abbreviated interaction. The implications of providing customer support through text messaging are, as yet, uncertain.

**Home-Based or Satellite-Based Agents**

In the banking sector, there is widespread interest in the viability of home-based or satellite-based customer service representatives. A number of the major chartered banks are conducting pilot projects to ascertain whether the home-based model is feasible. None of the major banks, however, has moved beyond the pilot project stage. Among the insurance companies there is less expressed interest in the home-based model, although if the viability of this model is demonstrated for the banking sector, emulation should be expected.
Human Resources Challenges

In every interview, the most important human resource challenge identified was the difficulty retaining qualified staff. For the financial services industry, turnover rates pose two problems. In the first place, turnover reduces productivity and increases overall human resources costs, in particular the costs associated with recruitment and training. Since the financial sector, for both business and regulatory reasons, must invest significant amounts in staff training, the loss of this investment is particularly significant. And even more so, if the employee should subsequently take similar work at a competitor.

Perhaps more important that the human resources management costs, turnover can impede the ‘relationship deepening’ strategy that underlies the financial industry’s central business strategy. High turnover rates increase the risk of customer dissatisfaction from their dealings with a contact centre. Bartel, for example, has noted how important it is for banks to retain knowledgeable and experienced customer service staff.

Comparative evidence suggests that the financial services industry is generally more successful in controlling turnover than many other segments of the contact centre sector. For example, Batt reports that U.S. data show that the financial services industry has turnover rates that are approximately half that of the outsourcing industry and the retail sector. Similar results are implicit for Canada in the survey findings of van Jaarsveld et al. Non-academic surveys, it should be noted, often come to different conclusions. Benchmark Portal, for example, reports that outsourcers generally have lower turnover rates than in-house contact centres, including those in the financial services industry.

In a case study of one major bank, Maslova shows that the bank employs sophisticated selection and screening methods to ensure a better congruence between employee aptitudes and expectations and the realities of contact centre employment. An inference to be drawn from Maslova’s study is that there is comparatively little scope for reducing employee turnover from further improvements to selection and screening procedures.

Changes to remuneration structures may provide some scope for addressing turnover challenges. However, it should be borne in mind that, in the Atlantic region, the salaries of contact centres in the financial industry already put them in a favourable position in comparison with opportunities available elsewhere in the labour market. Outside the Atlantic region, however, this would not be the case.

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29 Global Call Centre Project: http://www.ilr.cornell.edu/globalcallcenter/research/

30 www.benchmarkportal.com

31 E. Maslova, “Remote People Management” Blekinge Institute Of Technology
Offering more full-time and permanent employment opportunities could enhance the comparative advantages of employment in a financial industry contact centre in comparison with employment in contact centres in other industries, notably outsourcers. Various studies have shown that outsourcers, in particular, rely more heavily on part-time and temporary employees. However, by far the preponderance of contact centre jobs in the financial services industry are already full-time and permanent. The scope for reducing turnover through this type of restructuring of the employment relationship is quite limited.

The importance of reducing turnover is prompting contact centre managers to look to two related strategies. The first is to change significantly the demographic profile of their recruitment. In particular, the objective is to move up the age ladder. This is sometimes characterized as hiring more ‘Gen-Xers’ (i.e., age 30-40) and fewer ‘Gen-Yers’ (i.e., age 20-30). Some contact centres are also exploring the scope for hiring more workers in the 50-60 age group.

For a significant number of executives in the financial services industry, potentially the greatest opportunity to significantly reduce turnover rates is through adoption of home-based or remote-based agents. Considerable stock is put in the current pilot projects. There is a widespread hope that the home-based or satellite-based agents will address both the turnover problem and the demographic profile without having any significant, adverse impact on operating costs.

Conclusion

The financial services industry is a key example of the importance of in-house contact centres in the contact centre sector. Approximately 15-17% of persons working in the contact centre sector, and possibly more, are employed by the financial services industry. For both business and regulatory reasons, the financial services industry relies heavily on in-house contact centres, as opposed to outsourced services. Offshoring is uncommon. Most employment (85%+) is full-time and permanent, with the participation in benefits plans that this implies. The financial services industry is also noted for its high levels of investment in employee training. In Atlantic Canada, contact centre salaries exceed the all occupations average. Clearly the business strategies and human resource management strategies pursued by the financial services industry will have a significant impact on prevailing norms in the contact centre sector as a whole. Should the financial services industry embrace home-based or satellite-based agents, the industry’s example will be emulated by many other industries.

7. Recruitment and Retention

Surveys of contact centre managers invariably rank recruitment and retention of qualified staff as the most significant human resources management challenge facing the sector. A number of macro-economic or environmental factors affect turnover rates. These include: local and regional unemployment rates, wage trends outside the contact centre sector, and the degree of competition among contact centres for the available pool of labour in a local labour market. The impact of these factors varies across regions and over time. Nevertheless, between 2006 and 2008, there was a widespread perception in the contact centre sector that turnover rates had ratcheted up sharply and that this increase in turnover rates was having a serious affect on productivity and operating norms in the sector.\(^{33}\)

Estimates of the cost of turnover vary. In the United States, the National Association of Call Centers estimated the cost of attrition in 2008 at $5,566 per replaced employee.\(^{34}\)

Context

The survey undertaken as part of the Canadian Contact Centre Industry study estimated that the turnover rate for contact centres was composed of five elements:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quits</td>
<td>14.2%</td>
</tr>
<tr>
<td>Dismissals</td>
<td>6.2%</td>
</tr>
<tr>
<td>Promotions within Contact Centre</td>
<td>6.1%</td>
</tr>
<tr>
<td>Promotions within Organization but outside Contact Centre</td>
<td>3.6%</td>
</tr>
<tr>
<td>Retirements</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Figure No. 32
Components of Average Turnover Rate in Canadian Contact Centre
(Canadian Contact Centre Industry, 2006)

\(^{33}\) Contact Centres in Canada: The Impact of Current Trends on Human Resources (March 2007). The study was prepared by Prism Economics and Analysis.

\(^{34}\) Paul Stockford, Direct of Research, National Association of Call Centers, commenting on a survey of 70 contact centres, as reported in IT Business Edge, June 12 2009
The two factors which warrant attention are the quit rate (14.2%) and the dismissal rate (6.2%).
In general terms, the dismissal rate reflects employer dissatisfaction. The quit rate reflects employee dissatisfaction, but also better employment opportunities elsewhere and, in some cases, changes in life circumstances. Examples of changes in life circumstances are students who resign from their jobs because their studies are completed and women who leave their jobs for family reasons.

Compared to the all occupations average, the quit rate in contact centres is roughly 75-100% higher.

**Dismissal Rates**

Industries with high turnover rates often come to accept these turnover rates as ‘givens’. A more appropriate conclusion is that high turnover rates are almost always a reflection of human resource management strategies. This is clearly evident in high dismissal rates. Except where workers are laid off for lack of work, high dismissal rates are the direct consequence of deficient screening procedures. Quite simply, employers have recruited the wrong workers and are experiencing performance problems as a direct consequence of deficiencies in the hiring process. More sophisticated recruitment and screening procedures would eliminate candidates whose aptitudes or psychology are unsuited to working in a contact centre environment. In addition to requiring employers to write off investments in training, high dismissal rates also can have adverse effects on morale, reputation and image.

High dismissal rates can also reflect weaknesses in the supervisory strategy. Again, the dismissal rate is a consequence of deficiencies in human resources management.

**Quit Rates**

Unduly high quit rates are equally the consequence of human resources management strategies that are ‘out of sync’ with labour market realities. In some cases a high quit rate may reflect of normal transitions associated with the demographic profile of a large proportion of recruits. For example, reliance on students as a labour pool inevitably means a high quit rate following completion of studies. In other cases, high quit rates may reflect a relative deterioration in how contact centre jobs are perceived either in economic terms or in terms of jobs quality.
Quit rates are strongly influenced by general economic conditions and by local economic conditions. Figure No. 33 shows that there is a strong and inverse correlation between unemployment rates and quit rates. As unemployment falls, quit rates increase. And conversely when unemployment increases, quit rate decline.

A decline in unemployment rates means that, in general, workers have more employment opportunities available to them. In these circumstances, most industries, but especially industries that pay wages that are below the national average, will experience a ratcheting up of quit rates, if they do not adjust their remuneration upwards or take other steps which are substitutes for remuneration adjustments, such as enhancing the positive, non-monetary attributes of jobs. The ratcheting up of quit rates is a direct consequence of not responding to changed labour market conditions by raising remuneration or improving other attributes of contact centre jobs. For industries whose wages are below the national average, human resources strategies that were viable when there was high unemployment are less viable when unemployment declines. There is no getting around this ‘inconvenient fact’.

Quit rates are also strongly influenced by demographics. Figure No. 34 compares the quit rates for women (who constitute approximately 70-80% of the contact centre sector’s work force). The comparison is based on the average quit rate for 2000 to 2002.
Figure No. 34
Average Quit Rates for Women (All Occupations), 2000-2002
Statistics Canada,
Xuelin Zhang, “Gender Differences in Quits and Absenteeism in Canada” 11F0019MIE No. 296

Figure No. 32 shows that differences in quit rates for women vary dramatically by age group. Relying on the youth labour force clearly entails significantly higher quit rates as a consequence. Chapter Three showed that wages are inverse to age. These data show that quit rates vary directly with age.

It is not clear whether contact centres bias their recruitment to the youth labour force to take advantage of the lower wages that are the norm for that age group or whether, having established wage structures that are below the national average, a consequence of this is that those willing to work at the offered wages are strongly skewed to the youth labour force. Either way, the wage structure and the demographic profile are inextricably linked together. And, in turn, a consequence of this human resource management strategy is a high quit rate.

In principle, it might appear that altering the age profile of the contact centre work force will bring down the quit rate. Indeed, the data do suggest that significant reductions in the quit rate are likely to ensue from such a strategy. It may not, however, be that simple.
The nature of the work organization model in most contact centres is that in many cases:

- jobs are narrowly defined,\(^{35}\)
- job cycles (i.e., call times) are relatively short\(^ {36}\),
- promotion opportunities are limited,
- electronic and personal supervision levels are comparatively high,
- a significant proportion of in-bound callers may be dissatisfied or calling to resolve a complaint,
- stress levels may be high,\(^ {37}\) and
- interaction with co-workers is often limited.

For the most part, these are negative job attributes. Holman et al. comment that: "Most call centres were seen to combine low levels of discretion with high levels of intensive monitoring, resulting in high levels of employee stress, turnover and sickness within the sector.\(^ {38}\) It cannot be assumed that the organization of work that is functional with a younger work force will be equally functional if the demographic profile of the work force is changed, especially if changing the age profile also involves raising the average education profile. In other words, a strategy to alter the age demographics of the contact centre work force may also require a “re-think” of how jobs are defined, how advancement aspirations can be accommodated, and how performance is monitored and supported.

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\(^{35}\) The international study of contact centres measured ‘job discretion’ across a number of variables. Canadian contact centres had the lowest ‘job discretion’ ranking of any country, except India. David Holman, et al., “Work Design Variation and Outcomes in Call Centres”, *Industrial and Labor Relations Review*, Vol. 62, No. 4 *July 2009*

\(^{36}\) Batt *et al.*, *op. cit.*, reports that call times average 195 seconds in the 15-country sample. In Canada, the average call time was 240 seconds. The median call time was 185 seconds.

\(^{37}\) Sheppell –fgi, *Employee Health and Well Being: Trends in the Call Centre Sector* (2008). The Sheppell study found moderately higher levels of stress problems and stress-related behaviour problems in contact centres when compared to national averages. It should be noted that it cannot be inferred from the Sheppell study that these problems originate entirely in the workplace. To some degree, they may reflect demographic patterns that are more pronounced in the contact centre sector work force.

\(^{38}\) Holman *et al. op. cit.*, p 516
Strategies to Address Turnover

There are five broad types of strategies to reduce turnover:

1. **Selection based on ‘Job Congruence’ Principles**

   Selection processes based on ‘job congruence’ principles rigorously correlate personality traits with the incidence of dismissals and quits. Many large employers have already implemented job congruence selection processes and have benefits from reduced dismissal rates and reduced quit rates. Less customized, but still functional ‘off-the-shelf’ assessment instruments are available to small and medium-size contact centres. National service providers are also increasingly aware of cultural differences related to language.

2. **Strategic Re-Profiling of Demographics**

   Strategic re-profiling of recruitment associates certain demographic characteristics – notably age and education – with lower expected dismissal and quit rates. Recruitment strategies are reoriented to attracting applicants with these demographic characteristics and then biasing selection to those candidates.

3. **Remuneration-based Strategies**

   There are various remuneration-based strategies. The simplest, but not necessarily the most effective, is to upgrade wage rates across-the-board. Most remuneration strategies are more nuanced. For example, wages could be increased at the entry level to improve the quality of the pool from which candidates are selected. Alternatively, companies can use service-based pay grades or ranks as a retention benefit. The human resources literature usually characterizes benefit plans as being more valued by older employees with families than by younger employees. Related to remuneration-based strategies are opportunities for advancement which must be credible and widely believed.

4. **Altering the Characteristics of the Work Environment**

   The work environment comprises more than how jobs are organized and supervised. Relaxation facilities, opportunities for social interaction, commuting locations, and the ergonomic and aesthetic design of facilities are important characteristics of the work environment.
5. Altering the Characteristics of Jobs

From an industrial psychology perspective, the most important characteristics of jobs are:

(a) the degree of individual discretion allowed to employees in how they pace their work or meet their employer's objectives,
(b) the extent of electronic supervision and surveillance,
(c) the extent of direct supervision and surveillance,
(d) the narrowness or breadth of job responsibilities, which is often reflected in job cycle times and the skills and knowledge required to perform the job, and
(d) the manner and degree to which employees can see the results of their efforts and receive recognition for those results.

Altering jobs so as to reduce negative characteristics and accentuate positive characteristics is generally shown to increase employee satisfaction and reduce both non-productive behaviour and quits.

Conclusion:

Contact centres are replacing customer service provided through local representatives in branches and offices. Whether the quality of jobs in contact centres will be commensurate with the quality of the jobs that contact centres displace will depend, in large measure, on how contact centres tackle the turnover problem. High turnover rates are a message from the labour market. In essence that message is that human resources management strategies that were developed for an earlier period are no longer sufficient in the context of changed labour market conditions. High turnover rates have serious and adverse effects on productivity, operating costs, and competitiveness. Their effect is to put significant pressure on human resources management strategies and to drive changes in those strategies. Companies that address the turnover challenge successfully will have a competitive advantage over companies that do not. From a sectoral perspective, it matters considerably which types of strategies companies pursue, just as it matters greatly where companies situate themselves on the cost-centre / value-adding centre continuum discussed in Chapter Three.
8. Recommendations

The key finding of this report is that the human resource management strategies that emerged in the period 1995 to 2005 need to be re-assessed in light of how labour market conditions have changed. The contact centre sector accounts for approximately 3% of employment in Canada. This, it should be noted, is a conservative estimate. As discussed in earlier studies, the statistical systems for classifying industries and occupations makes it difficult to estimate the actual number of persons working in a contact centre environment and therefore the number of persons who will be affected by future trends in this sector. A comprehensive census of persons working in a contact centre environment would likely lead to an estimate higher than 3%.

How the contact centre sector responds to the need to re-assess its human resources management strategies, in light of changed labour market conditions, therefore has significance for a large number of Canadians. The recommendations proposed in this chapter are intended to better equip the sector to monitor labour market trends and address the need to re-assess human resources management strategies.

Labour Market Information

Recommendation No. 1: Contact Centre Canada should work with HRSDC and Statistics Canada to develop occupational codes that better identify persons employed in a contact centre environment.

A chronic challenge in analyzing labour market trends in the contact centre sector is that occupational codes are based on skill and functional attributes and do not take account of working environments. Thus occupations may be coded in the same way whether they work in contact centres or in branch offices which deal with customers on a face-to-face basis. This coding problem bedevils measurement of employment trends primarily in in-house contact centres which constitute 75-80% of employment in the sector and which generally provide more favourable employment conditions.

The rationale for a system of occupational coding based on skill and functional attributes of jobs is not disputed. However, the shift of a large number of occupations into a contact centre working environment has significant implications for the quality of jobs, the location of jobs and the vulnerability of jobs to displacement. As well, there are skill requirements that are intrinsic to a contact centre environment. Given the magnitude of the contact centre sector, it is important that systems of statistical coding facilitate, rather than impede, the monitoring of labour market trends in this sector.
**Recommendation No. 2:** Contact Centre Canada should work with Statistics Canada to develop a customized survey instrument that can be applied to vertical markets in which in-house contact centres predominate. The priorities for applying this customized survey instrument should be the financial services industry, the telecom industry, and the travel and accommodation industry.

As noted earlier, 75-80% of contact centre employees work in in-house contact centres. Industrial codes and occupational codes do not identify these workers. As a result, analysis of contact centre trends is strongly biased by developments in the outsourcing industry which lends itself more readily to statistical identification. However, there is mounting evidence that the outsourcing industry is not necessarily representative of broader trends in the contact centre sector. In particular, the Tier I jobs which handle more complex customer interactions and higher value customers or transactions are the least likely to be outsourced. Documenting and analyzing trends in in-house contact centres should be a priority for Contact Centre Canada. In light of the importance of contact centres as job generators, especially in smaller communities, an analysis of trends in in-house contact centres also will be relevant to provincial and local economic development offices. Analyses of vertical markets will also strengthen the relevance and effectiveness of Contact Centre Canada. Experience with *ad hoc* industry-based surveys suggests that the only reliable way to achieve the coverage needed is to administer vertical market surveys through Statistics Canada.

**Human Resources Management**

**Recommendation No. 3:** Contact Centre Canada should undertake a study of turnover trends in contact centres and in the contact centre sector, as a whole, to assist the sector in understanding the relationship between human resources management strategies and turnover trends. Contact Centre Canada should also engage the sector in discussions about turnover and the need to re-think the human resources management polices that are at the root of high turnover. This should be part of Contact Centre Canada’s broader mandate to develop labour market information products that better enable organizations to plan and implement their human resources investments.

This report has argued that turnover is a message from the labour market that human resources management strategies are ‘out of sync’ with labour market conditions. The current economic downturn has relieved the sector from the severe pressures it was confronting prior to 2009. The employment outlook for the contact centre sector and the outlook for the overall economy suggest that pressure from the labour market will return in 2011 or, at the latest, in 2012. That is to say, the sector is currently enjoying a respite from labour market pressures, not a dispensation. Turnover will again become a serious challenge for the sector if the human resources management strategies that were developed in the period 1995 to 2005 are not altered.
Recommendation No. 4: Contact Centre Canada should work with stakeholders to highlight the important role of contact centres as value-adders.

How an organization understands its contact centre is a key determinant of its human resources management strategies. Organizations that see their contact centres primarily as cost centres are attracted to outsourcing and offshoring strategies and to organizational models that maximize the scope for task automation. By contrast, organizations that understand how contact centres can contribute value to their organization will be attracted to strategies that maximize the scope for this value creation. Contact Centre Canada can strengthen the internal position of contact centres within organizations by documenting how contact centres create value. There are various ways in which the value-adding potential of contact centres can be documented and disseminated. These include:

- case studies,
- a web-based resource centre for industry white papers and scholarly studies,
- web-based forums for the exchange of views among industry professionals, and
- an advocacy role within the sector for Contact Centre Canada and its executive leadership.

December 2009