Your Call:

Managing Reward and Performance in Call Centres

Paul Suff
Peter Reilly
Mary Mercer

IES Research Networks

ies

Published by:

INSTITUTE FOR EMPLOYMENT STUDIES
Mantell Building
Falmer
Brighton BN1 9RF
UK

Tel. + 44 (0) 1273 686751
Fax + 44 (0) 1273 690430

http://www.employment-studies.co.uk

The Institute for Employment Studies is an independent, apolitical, international centre of research and consultancy in human resource issues. It works closely with employers in the manufacturing, service and public sectors, government departments, agencies, and professional and employee bodies. For over 35 years the Institute has been a focus of knowledge and practical experience in employment and training policy, the operation of labour markets and human resource planning and development. IES is a not-for-profit organisation which has over 60 multidisciplinary staff and international associates. IES expertise is available to all organisations through research, consultancy, publications and the internet.

IES aims to help bring about sustainable improvements in employment policy and human resource management. IES achieves this by increasing the understanding and improving the practice of key decision makers in policy bodies and employing organisations.

Contents

1. Introduction

The UK call centre industry employs around 850,000 workers in more than 6,000 centres. And although there are fears that 'offshoring' — that is, moving operations to lower-cost countries, such as India and South Africa — will lead to a fall in employment levels, the UK industry continues to expand. A report commissioned by the Department of Trade and Industry (DTI) found in 2003 that employment in the UK call centre industry had risen by 250 per cent since 1995, and was continuing to add tens of thousands of agent positions each year (DTI, 2004). In Scotland alone, a separate study revealed that the number of call centres increased from 220 to 290 between 2000 and 2003, with another 10,000 staff entering the industry (Taylor and Bain, 2003). The DTI report predicts the UK call centre workforce will be more than one million by 2007, with the number of agent positions — that is, the number of workstations devoted to frontline customer service — increasing by almost nine per cent a year, on average, between 2000 and 2007.

The spectacular and continuing growth of the call centre industry is on the back of consumer demand for 24-hour, seven days-a-week, 365 days-a-year access to banking, shopping, information and other services. Employers also favour call centres because they enable organisations to cut the cost of servicing customers by centralising customer-facing operations. Technological advances have also fuelled expansion, with internet shopping, for example, increasing consumer demand, while automatic call distributors and computer-telephony integration, among others, are enabling organisations to realise greater cost savings.

Call centres may not deserve being depicted as 'new dark satanic mills', which was the tag applied by some commentators when the industry first became a significant feature of the UK economy in the late-1980s, but such operations continue to have a relatively poor image. Despite the key role that call centres play in the service delivery chain of most organisations, many have struggled to effectively motivate and engage staff. The routine, repetitive and stressful nature of the work means that call centres tend to have high levels of both employee turnover and sickness absence, and find it hard to recruit suitable staff. These staffing problems have a negative and damaging impact on customer service. Poorly motivated and disengaged employees are unlikely to provide the service quality necessary for the high levels of customer satisfaction upon which commercial success increasingly depends. Pay, working practices and conditions, development opportunities and effective leadership are all crucial in retaining and recruiting staff, which, in turn, is the key to improving staff performance and customer satisfaction.

It is important to note at the outset that not all call centres are the same. There is a clear distinction between those that only receive in bound calls and offer customer service of some sort (often called 'contact' centres for this reason) and those that are selling services via outbound calls. Naturally, the performance targets and management of staff in these two situations will be very different. One might imagine that the rewards on offer would also be very different.

2. The Call Centre Industry

2.1 Overview

A call centre is defined as a centralised office that answers incoming telephone calls (inbound) from customers or that makes outgoing telephone calls (outbound) to customers. Increasingly these operations handle all customer relationships, processing and responding, for example, to customer letters, faxes, e-mails and internet orders. Offices that use such a wide array of integrated technology and business processes are known as contact centres[1]. Nonetheless, the vast majority of dedicated customer-service operations still deal primarily with telephone calls. A 2003 survey of 290 call centres by industry analysts ContactBabel found that almost 92 per cent of all customer interactions received were by telephone, compared to less than four per cent by either email or fax (DTI, 2004).

The largest proportion of call centres in the UK — around 38 per cent according to ContactBabel — deal with a mix of activities, including both inbound and outbound calls, and sales. A third focus on customer service, which is mainly answering inbound calls as well as dealing with existing customers' requirements. Around 11 per cent of call centres are dedicated to telesales, while the remainder is split evenly between switchboard operations, helpdesks and reservations (such as tickets for travel or entertainment). Financial services and the retail and distribution sector are the two biggest operators of call centres in the UK.

Of the 850,000 people currently working in the UK call centre industry, ContactBabel estimates that around 85 per cent are frontline customer service agents. The typical call centre worker is a woman in her 20s with no higher-education qualifications. The key skills that employers seek in agents are verbal communication and interpersonal skills.

---

1 For the purposes of this paper, the term call centre will also refer to contact centres.

2.2 The industry

The call centre industry is a diverse one, encompassing both in-house and outsourced customer service operations, and both large and small operations. Wood and Holman (2003) have identified four basic types of call centre.

1. **Customised service** — agents are involved in relationship building and there is little or no selling; there are high levels of job discretion, low levels of performance monitoring and low use of pay incentives.
2. **Customised sales** — agents are involved in relationship building and selling; there are high levels of job discretion and extensive use of performance monitoring.
3. **Standardised service** — agents are not involved in relationship building or selling; there are low levels of job discretion and performance monitoring; and widespread use of customer complaints systems and teamwork.
4. **Standardised sellers** — agents are not involved in relationship building but sell; there are low levels of job discretion and more extensive use of performance monitoring.

The average call centre is relatively small, with nearly 62 per cent having fewer than 51 agent positions, and 80 per cent fewer than 101. More than a third (39 per cent) of positions (almost 195,000 in 2003), however, are in call centres with at least 500 agent positions.

Around two thirds of agent positions are involved in answering inbound telephone calls, including sales, customer service and technical helpdesk calls (DTI, 2004). However, the increasing shift towards using customer relationship management (CRM) — a business process based on the view that it is more effective and profitable to sell products to existing customers than to win new ones — has been accompanied by more agents making outbound calls to contact existing customers.

The financial services sector employs almost twice as many call centre employees as the next largest, the retail and distribution sector. Financial services also accounts for a third of all call centres with at least 500 agent positions. Figures from ContactBabel for the industry in 2003 show that:

- more than a quarter (25.5 per cent) of all agent positions in the UK were operated by banks, credit card firms and insurance companies — nearly 126,000 positions
- almost 65,000 (13.1 per cent) were operated by businesses in the retail and distribution sector
- just over 49,000 (9.9 per cent) were involved in outsourcing and telemarketing services

- around 42,000 (8.5 per cent) were in the travel and transport industries
- more than 36,000 (7.3 per cent) were run by telecoms firms.

Public sector call centres, such as NHS Direct or the Inland Revenue tax advisory line, account for a growing proportion of operations, with around 15,000 (three per cent) of agent positions in 2003.

2.3 The locations

Although technology affords organisations a high level of flexibility over where to locate call centres, much of the UK industry is concentrated in specific parts of the country. Bristow *et al.* found evidence that firms site call centres close to existing concentrations of allied activity, preferring densely populated areas where there is a large pool of skilled, low-cost labour (Bristow, Munday and Gripaios, 1999). As a result, many call centres, particularly large ones, are located in areas that have been worst hit by the unemployment, such as Scotland, South Wales, South Yorkshire and the North East. Sheffield, Leeds, Newcastle-upon-Tyne, Liverpool, Cardiff, Edinburgh and Glasgow all feature in the 'tier 1' (major cities) top ten best locations for contact centres in the 2004-05 OMIS survey (OMIS Research, 2005). Among the highly rated 'tier 2' (smaller cities) locations are Wakefield, Stoke-on-Trent, Swansea and Sunderland. According to the findings, 90 per cent of employers rate the availability of a sizeable workforce or labour pool as the critical factor in deciding where to locate.

Overall, London and the South East have the largest concentrations of call centres, but in the capital in particular, this is because many are located in head offices and are either too small to relocate or they rely on specific skills, such as foreign language speakers, that are not available in large enough numbers in other parts of the country (Market & Business Development, 2005). Research by Morrell (2005) confirms this, revealing that the North East is home to some of the largest, and London the smallest call centres. Attracted by the investment grants, as well as the labour supply, most call centres in the North East are clustered around Newcastle-upon-Tyne and Sunderland (Belt, 2003). The North East economy is more dependent on call centre employment than other parts of the UK, with the industry accounting for 4.6 per cent of jobs in the region compared with a national rate of 2.9 per cent (Morrell, 2005). Call centres operations in the North West also employ more than four per cent of the region's employed populations, while both Yorkshire and Scotland have around 3.9 per cent of their labour force working in the industry.

2.4 The work

> *'When the mechanisation and rationalisation of office work has proceeded to the extent that relatively large groups of semi-skilled employees are concentrated together … performing continuous, routinised and disciplined work, often rewarded in accordance with physical output, with little chance of promotion … then clerical work becomes in terms of social and physical environment extremely like that of the factory operative.'* Lockwood (1958)

The mechanisation of white-collar work described by Lockwood in the late-1950s parallels the rise of call centre work, according to Watson *et al.* (2000), who note Taylor and Bain's observation that the call centre labour process is the 'Taylorisation of white-collar work' (Taylor and Bain, 1999). These descriptions suggest that though call centres resemble offices, they perform more like a factory. Yet the labour process in call centres industry varies significantly. Work tasks can be simple, routine and repetitive, requiring little skill or interactive capability on the part of the 'operator'. Elsewhere, work can be complex, requiring the 'operator' to have a good working knowledge of the labour process, the organisation's and competitor's products, and excellent communication skills (Taylor and Bain, 2000). According to CM Insight (2004a) 84 per cent of the UK industry at that point was operating on the 'mass production business model'.

Irrespective of the differences within the industry over the extent to which employees have the opportunity to exercise their skills, call centre work involves communication with customers through the integration of telephone and visual display unit (VDU) technologies. As Taylor and Bain (1999) explain there is a 'common and defining call centre labour process in which operators scan and interpret information on VDU screens, manipulate keyboards to enter or retrieve data and simultaneously communicate with phone-based customers'.

Typically, inbound calls are automatically channeled to waiting operators or agents by an automatic call distribution (ACD) system. Agents refer to information on a computer screen, adding and manipulating data as necessary. Outbound calls, such as telemarketing and sales, are often controlled by predictive dialing systems that work through a database of customers' telephone numbers, with the customer's details appearing on the VDU screen automatically when the call is connected. Often telephone calls are scripted, so agents follow a series of instructions and questions as the call progresses.

Though the nature of the work means it is inherently individualistic, most call centres group agents together into teams. At Ventura Customer Service Management, for example, five customer service advisors are grouped together around a carousel-type desk (Gooch and Suff, 1999).

2.5 The workforce

The majority of frontline call centre workers are women. Holman and Wood (2002) found that 69 per cent of customer contact staff and 63 per cent of team leaders or first-line supervisors were women. A more recent report, from analysts Datapoint (2004), revealed that 62 per cent of call centre workers in the UK are women, with the highest proportion (39 per cent) in the 18 to 25 age category. This gender balance is fairly uniform across the country. In Scotland, for example, 61 per cent of the call centre workforce is female (Taylor and Bain, 2003), although the proportion of men entering the industry has increased steadily since 1997.

By contrast, the gender split among managerial grades is much more even, with just over half (54 per cent) female, according to Holman and Wood. The DTI (2004) says that female managers are more common in call centres in Wales and East Anglia than they are in Scotland, and more numerous in the medical, printing and publishing, entertainment and leisure, and public services sectors than in the IT, ISP, engineering or manufacturing industries.

Figures from ContactBabel (2004) show that overall 21 per cent of the UK call centre workforce is part-time, with around nine per cent of agents on temporary contracts. In Scotland, more than two-thirds of workers in the industry are on full-time contracts, and 14 per cent are temporary staff (Taylor and Bain, 2003).

2.6 The problems

2.6.1 Absence

Although the most recent annual absence survey from the Chartered Institute of Personnel and Development (CIPD, 2005a) puts the average number of working days lost to absenteeism in the call centre industry slightly below the overall figure – eight days per annum compared with 8.4 days for the economy as a whole – other studies have shown that the industry tends to suffer higher than average levels of non-attendance. The *2003 Global Contact Centre Benchmarking Report* from the Merchants Group, for example, put the proportion of working days lost to absence at 10 per cent on average — a figure that CM Insight (2004b) estimates cost the industry around £626 million a year based on the average salary in 2003. Incomes Data Services (IDS, 2003), in its 2003 survey of pay and conditions in call centres, also found that absence levels in the industry were higher than in many other industries, reporting that workers took an average of almost three weeks off work due to sickness in the 12 months between June 2002 and June 2003. Even the CIPD survey shows that, at eight days per annum on average, absence is higher in the call centre industry than in the private services sector generally (6.8 days).

As in other parts of the economy, absence varies greatly across the call centre industry, and size of workplace is a major factor. A study by Call Centre Association (CCA, 2004), the industry's professional body, revealed an average absence rate of 8.2 days per employee a year in 2003, with a range of between 2.3 and 14 days. In the largest call centre operations, the absence rate in workplaces with more than 1,000 employees was 13 days a year. By contrast, the average in workplaces with less than 50 employees was 5.7 days per annum. The research by Holman and Wood (2002) also uncovered wide variations in absence rates: sickness absence in the top performing ten per cent of call centres was two days per annum or less, compared with between 12 and 18 days in the bottom decile. In terms of absence by type of operation, ContactBabel (2004) found that outsourced and telemarketing call centres have the worst attendance rates.

2.6.2 Turnover

> *'A large proportion of agents are looking for a new job every three to six months.'* OMIS Research, 2005

Call centres and high levels of staff turnover are almost synonymous. Average turnover is around 25 per cent, according to IDS (2004), although this varies considerably across the industry. IDS data reveals that overall attrition rates range from one per cent to 83 per cent, with average turnover in those organisations reporting that retention is 'very difficult' (around a third of all those polled) at 43.5 per cent. The most recent CIPD annual survey of labour turnover put the level in call centres even higher, at 50.9 per cent in 2004 — although the figure is based on only six respondents (CIPD, 2004). Other studies, however, reveal that some call centres suffer staggeringly high rates of turnover. Holman and Wood (2002) found that average attrition in the industry was 13 per cent, but that in the ten per cent of organisations with the highest levels of turnover, it ranged from 28 per cent to 82 per cent.

According to the fourth joint CCA/Industrial Relations Services annual survey of call centre pay and conditions, staff turnover in 2003 was highest in the telecoms and IT sectors, and the banking and financial services industry (CCA/IRS, 2003). IDS (2003) found that high levels of turnover were closely associated with call centres in the lowest-paying industries, such as retail and leisure and transport, whereas the highest-paying sectors, including the public sector, had the lowest levels of attrition. There are also regional variations, with Scotland recording an average turnover rate of 19.7 per cent in 2003, which was the highest rate, according to ContactBabel. By contrast, the North East of England had the lowest rate at 7.8 per cent. This begs the question of how much turnover is a feature of internal terms and conditions and how much is driven by the state of the local labour market. Thus, low attrition rates in the North East may reflect the scarcity of alternative jobs, either in the call centre industry or in other sectors. Paradoxically, although the North East economy relies to greater extent on call centre employment than other parts of the UK, it is also one of the regions with the fewest call centres.

It is interesting to note in this context that attrition is also high in US call centres. Compensation and Benefits Review reported that 'high turnover continues to plague call centres' and quoted a Mercers study that an average rate of 33 per cent (Compensation and Benefits Review, 2004). Similarly, *The Merchants Global Contact Centre Benchmarking Report 2005* claimed that the average attrition rate was 23 per cent, up from two years before (People Management, 2005). This suggests that it is the nature of the work that drives turnover, with locational effects moderating or exacerbating the level.

The high levels of attrition reported by these studies in some parts of the industry compares with the overall rate of just over 16 per cent, which is the average national labour turnover in the UK reported by the CIPD in 2004.

> The CIPD calculates that recruiting a straight replacement for a vacant post costs around £2,500 on average, and £4,800 when the impact of turnover is also considered. Based on these figures and the average 25 per cent turnover rates in call centres reported IDS — which amounts to more 212,000 out of the 850,000-strong call centre workforce changing jobs – the direct annual cost of attrition to the industry ranges from £530 million to more than £1 billion.
>
> 212,000 agents × £2,500 = £530 million per annum
>
> 212,000 agents × £4,800 = £1.01 billion per annum

The CIPD assumes that call centre employers are among those reporting that staff turnover is at 'high enough levels to seriously negatively effect their organisation's performance.' IDS (2003) reports that turnover has increased every year since it began monitoring pay and conditions in the industry in 1999.

Several studies have plotted call centre workers' tenure. Holman and Wood (2002) found that 32 months was the average length of service for agents; 43 months for team leaders; and 53 months for managers. Labour Force Survey data from winter 2002-03 show that half of all those employed in sales and customer service occupations had been with the same employer for less than two years (ONS, 2005). The call centre industry's experience mirrors that of the economy in general, with younger workers — who make up the largest proportion of the call centre workforce — more likely to change jobs more frequently than older workers. Datapoint (2004) reported that almost half (49 per cent) of call centre employees had been in their current jobs for at least two years, with older operators more likely than their younger colleagues to stay in their jobs.

As well as workers' age influencing turnover rates the second OMIS quote (above) shows that location can often exacerbate problems. The concentration of call centres in the same locality means they are often competing for the same workers.

> *'[Call centre clustering] increases the flexibility of labour movement, where an agent can sometimes literally just cross the road to another contact centre for a small increase in salary. This puts pressure on salaries and attrition, leading to increased costs and decreased standards of work. This is particularly the case in city centre locations, where contact centres have to compete not only with other contact centres, but also with non-contact centre businesses located in the same area.'* DTI, 2004

Taylor and Brown (1999) noted the impact of a generally young workforce combined with a high concentration of call centres in a small area on staff turnover:

> *'Operators, and here the youth of the workforce appears to be an important factor, are constantly comparing alternative employment possibilities, drawing on a fertile body of collective informal knowledge which permits comparison of the salaries, bonuses and conditions on offer in centres close to their current employment.'*

Local competition for staff was acknowledged at Leeds-based Ventura Customer Service Management, which *IRS Management Review* reports has had to work hard to create a working environment in which people want to work so they are not tempted to go to local competitors, including the AA, First Direct, Halifax Direct and Direct Line as well as the breakdown business Green Flag (Gooch and Suff, 1999). Glasgow is another location housing a number of call centres — around 115 call centres — and the recent decisions by mobile phone operator O_2 and computer manufacturer and retailer Dell to open new customer facilities in the area, which will add more than 2,000 to a call centre workforce that already numbers 20,000, is likely to put further retention pressure on existing operations in the city. Given the demand, the city has started a campaign to attract potential recruits from further afield.

2.6.3 Recruitment

> *'It's OK if you're offering jobs paying £30,000 to 40,000 a year, but you struggle to find people if you're paying only £15,000.'*
>
> *'Number one is money — if you pay, you can get the quality staff you need.'* OMIS Research, 2005

The call centre industry's relatively poor image coupled with the often intense competition for labour in the same area, means that many organisations struggle to recruit suitable staff. IDS (2004) found that three in five surveyed call centres reported difficulties recruiting staff in 2004, with a third saying recruitment had been 'very difficult'.

OMIS Research (2005) says that, in the main areas where call centres are concentrated, only Stoke-on-Trent and Swansea have suitable surplus supplies of labour to fuel any further expansion of the industry, meaning that organisations elsewhere face mounting difficulties recruiting staff. According to the DTI (2004), it is increasingly the case that 'contact centres are chasing the workers, rather than the other way around'.

Retention and recruitment tend to go hand in hand: poor recruitment decisions will push up attrition rates as turnover is often highest among recently recruited staff, either because the individual realises the job is not suitable or the employer realises the individual is unsuitable for the position. Operational guidance for call centres published in Australia by the New South Wales' Department of Commerce (NSW, 2002) suggests that turnover in excess of 20 per cent indicates poor recruitment and selection procedures. ContactBabel (2004) found that, despite call centre work being dominated by telephone use, 43 per cent of organisations do not use telephone screening as part of their recruitment process. Commenting on the 35 per cent 'involuntary' turnover figure in the call centre industry revealed by CIPD (2004), Taylor suggests that many organisations are responding to recruitment difficulties by appointing unsuitable people, and are then having to 'let them go' some weeks or months later. 'Poor, rushed decisions at the recruitment stage are thus apparently contributing in a major way to subsequent staff retention problems', he says.

2.6.4 Customer satisfaction

People management problems, such as high levels of absence and turnover, undoubtedly affect the level of customer service. 'Customers want their call to be answered as soon as possible, by someone who can deal with their issue quickly, without being passed around excessively or having to call back', says the DTI (2004). The starting point for achieving such objectives rests on the call centre being adequately staffed. Yet the most common complaint by customers using UK call centres according to a 2002 survey by Keynote (2002) is the amount of time on hold. It found that 60 per cent of callers were frustrated by having to wait to speak to an agent. Similarly, a survey of more than 2,200 people for Citizens Advice Bureaux found that the most annoying aspect of contacting a call centre was being left on hold for too long — cited by 40 per cent of respondents (CAB, 2004). Asked how call centres could improve their customer service, respondents to one survey said: 'Employ agents who know more and are able to handle my call quickly' (DTI, 2004).

In the next section, we cover how organisations themselves monitor customer reaction.

3. Managing Performance

3.1 Overview

There is a quantity versus quality dichotomy at the heart of managing the performance of most call centre workers. On the one hand, managers will want staff to answer calls quickly so customers are not left waiting or on hold too long. On the other, agents require sufficient time to deal effectively with each caller. The excessive focus on call duration means agents are constantly under pressure to answer a large number of calls by delivering a uniform response rather than one tailored to meeting the needs of the customer (CM Insight, 2004a).

Performance measures are often geared to achieving a low response time. Marr and Neely (2004), claim call centre performance measures are dominated by stopwatches and measures, such as time to answer a call and call duration. Individual performance is generally analysed by focusing on the number of calls handled per hour and per day, a threshold percentage of administration associated with each call, and the average call transaction time. Monitoring calls for quality is also commonplace, though, as Marr and Neely (2004) point out, efficiency metrics are often used to assess service quality and customer satisfaction:

> *'Many call centres seem to have fallen into the trap of believing that operational measures, such as call duration and average time to answer are indicators of customer satisfaction. The fact is that they are not; they are only measures of efficiency, which, in turn, is often seen as a determinant of financial performance'.*

Holman and Fernie (2000) also found evidence of 'hard' data being used to monitor quality. In the three call centres they examined call times and call quality were closely monitored by team leaders, who would collect and analyse the statistics — for example, the number of calls handled per hour and average handling time — for each agent. Suff (2000) also reported that the customer service target for inbound calls at the RAC call centre, near Bristol, is to answer 80 per cent of them within ten seconds, with agents expected to handle around 14 calls per hour.

Yet research by Feinberg *et al.* (2000) found that of all the common performance metrics used by call centres, only 'percentage of calls closed on first contact' and 'average abandonment' had a significant, albeit weak, influence on caller satisfaction (Feinberg, Kim, Hokama, de Ruyter and Keen, 2000).

3.2 Performance measures

ContactBabel (2004) says the 'success or otherwise of contact centres has traditionally been measured by observation of key figures, usually related to cost and efficiency — average call length, average speed to answer, percentage of calls answered within a certain time *etc*.' According to the Gartner Group (quoted in NSW, 2002), the call centre industry's standard productivity measures or key performance indicators (KPIs) are:

- first-call completion rates
- average speed of answer
- percentage of calls answered within 20 seconds (although most organisations now aim higher)
- agent's talk time and wrap (call completion) time
- percentage of time agent is on calls, on hold, on idle and available
- total number of calls handled for the day, week, month and year
- number of calls transferred
- number and percentage of calls abandoned.

The Office of the e-Envoy (NAO, 2002), which is part of prime minister's delivery and reform team based in the Cabinet Office, recommends that public sector call centres monitor their performance using the following measures:

- number of calls where the caller is not able to be handled or referred (call cannot be resolved)
- percentage of calls answered in number of minutes
- percentage of calls abandoned
- number of calls where referred to another department
- number of calls redirected to other departments
- number of calls where the caller specified a language preference that was not met
- average length of completed calls
- percentage agent time spent taking calls
- percentage of calls given engaged tone or busy signal.

Most of these classic performance measures are shaped by a combination of telephony technology and expectations of the standards of service the workforce should achieve (Miciak and Desmanais, 2001). Number of calls, average talk time, average speed of answer, queuing time and abandonment rates are all tracked automatically in most call centres by IT systems, whereas typical employee standards include occupancy rates and calls per hour. The ease with which these can be measured means they are often the sole barometers of performance.

Analysis of the UK industry in 2004 by ContactBabel (2004) shows that, on average, agents spend 68 per cent of their time on calls, with a further 20 per cent spent equally on idle time and call wrap up, with administration taking up the remainder. The industry analysts also report that agents dealing with inbound calls receive, on average, a call every four to five minutes, with calls lasting between three and four minutes. Outbound agents make around 13 'live' contact calls an hour, on average. In terms of other key performance measures, ContactBabel says that, in 2004, abandon call rates, as a percentage of all calls, remain in the low single digits, and that the average speed to answer a call is 16 seconds. Around three quarters (74 per cent) of inbound calls are resolved first time.

Some organisations are moving away from relying solely on the classic efficiency performance measures and are focusing on such things as first-time call resolution and customer satisfaction levels — 80 per cent of call centres monitored by ContactBabel now claim to obtain customer feedback, usually through outbound calling and written surveys. The CWU (2004) reports that a BT call centre in Stoke has replaced 'call handling time' as a measure of agents' performance with 'true handling time', where the limits are set by the customer's requirements not an arbitrary figure. Suff (2000) also reports that though improved productivity remains a key objective at the RAC call centre in Bristol, call quality — measured by a customer satisfaction index — is the most important goal. As a result agents are encouraged to ensure that the customer is satisfied rather than simply maximising the number of calls answered. In an interview with the firm's managing director, Thewlis (2005) relates how call centre operator SITEL has also resisted setting time limits on calls. 'We do monitor how long staff spend on each call, but we don't set time limits. Instead we use the call-length figures to compare 'customer service professionals' (CSPs) with one another to see if they are above or below the average. We then consider the individual and see, in the case of staff spending a longer time on calls than their colleagues, if that person needs more training.' However, Holman and Fernie (2000) found that though only one of the three sites they examined expected agents to finish a call within a set time, there was an indirect expectation in the other two that agents would complete a certain number of calls per hour. Agents whose call times were considered too high received coaching to improve performance.

Marr and Neely (2004) examined 12 'leading' call centres. They found that efficiency measures were the dominant criteria for success in four, but that the remaining eight had supplemented such metrics with additional measures of performance, with managers in these organisations agreeing with the statement: 'Efficiency goals drive the wrong behaviour'. Among the eight call centres taking a more balanced approach to performance measurement, two had completely stopped measuring agents' performance in terms of talk time, believing it reduced service quality and was only useful to assist resource planning. All twelve assessed customer satisfaction to some extent, commonly sending out questionnaires to a sample of customers. Some used customer interviews, while two operated automated survey technology — whereby an automated message questions the customer about their level of satisfaction immediately the call with the agent is finished.

All of the sample firms said they track service quality, with half regarding quality as a measure of operational performance and the others using a combination of operational metrics and customer measures. Call monitoring is the most common method of assessing service quality (see section 3.3). Gauging employee satisfaction was also popular with all twelve companies, though only three said monitoring it was specifically to control staff turnover. Employee surveys were the most common form of assessing employee satisfaction among the twelve firms. On the whole the companies also used 'surrogate' measures to assess employee satisfaction, such as staff turnover, absence and timeliness. Call monitoring also provided information on agents' compliance, friendliness and attitude, which was used to build a picture of staff satisfaction and was typically measured on a five to seven point Lickert-type scale.

Performance measures at BT

Performance at BT is measured with reference to a collection of targets that focus on different aspects of the role. The system is based on four quadrants, each focusing on a range of issues relating to four areas.

Personal — measures relating to every employee: attendance, sick record, health and safety and general conduct

Customer — measures relating to customers' experiences: satisfying customer requirements (though this may be difficult to measure accurately, remote observations and quality call reviews may be used in addition to compliments and complaints from customers)

Shareholder — measures relating to the company's revenue, the direct financial contribution the person has made. This will include assessing both call handling time and sales achievement, among other features

Development — this sector enables training and development to be included in the measurements of performance (CWU, 2004)

3.3 Monitoring performance

> *'If anything distinguishes a call centre worker it is both the extent to which they are subject to monitoring and the unrelenting pressure to conform to acceptable forms of speech, whether scripted or not.'*
>
> Taylor and Bain (1999)

Observing calls is the primary means of assessing service quality and monitoring agents' performance. There are two main ways in which team leaders, supervisors or managers directly monitor calls.

5. **Listening to calls** — managers listen to a sample of agents' calls, either with or without their knowledge, to provide feedback on performance and identify training needs.
6. **Recording calls** — conversations are recorded and reviewed against set criteria, such as agents' accuracy, attitude and responsiveness.

Some organisations also use mystery or test calling to benchmark performance against similar call centres.

ContactBabel (2004) estimates that 83 per cent of UK call centres monitor customers' calls by listening to them, while 60 per cent record calls. A study of public sector call centres by the National Audit Office (NAO, 2002) found that managers listened to calls in 71 per cent of cases and calls were recorded in 35 per cent. Around 31 per cent made use of mystery or test calling. Most of the call centres in the NAO sample that were found to listen to calls, did so to identify training needs and provide feedback to agents on their performance rather than form overall assessments of the quality of service. Of the call centres using recording to monitor calls, the majority did so for coaching and training purposes rather than as a tool to review and report quality.

A US survey (ICMI, 2005) of more than 800 call centre managers discovered that the top five aims of monitoring calls were:

1. ensure the quality standards for each call is met
2. measure agent performance
3. evaluate level of customer satisfaction
4. identify customer needs/expectations
5. identify additional training needs for individual agents.

According to Marr and Neely (2004), aspects frequently measured during monitoring include the:

- greeting
- communication style
- tone of voice

- knowledge of employees
- competence in performing the task
- close.

The operational guidance for call centres published in Australia by the New South Wales' Department of Commerce (NSW, 2002) includes the following checklist of 'key dimensions for call monitoring'.

1. Initial greeting
2. Customer acknowledgement
3. Use of courteous statements
4. Displayed empathy
5. Kept customer informed when keying in
6. Listened effectively
7. Quality of tone and pitch
8. Effective use of questions
9. Use of positive words
10. Reaffirmed call outcomes/action
11. Ending call – additional help/thanked
12. Call resolution/outcome
13. Overall professionalism

The majority of agents polled in three call centres by Holman and Fernie (2000) said they were monitored too much. Extreme monitoring by supervisors and not being allowed to take adequate rest breaks, were the top two concerns of call centre workers calling the TUC hotline 'It's your call' when it opened in 2001. Table 1, from a survey of Danish call centres (Sørensen and El-Salanti, 2004), reveals the average frequency of call monitoring of each agent:

Table 1: Frequency of call monitoring of core employees (per cent)

Never or once a year	26
Quarterly or less	24
Monthly	20
Several times a month or daily	30

Source: Sørensen and El-Salanti (2004)

High levels of monitoring tend to produce high levels of anxiety and depression, and low levels of job satisfaction and general mental health. According to Holman and Fernie: 'If call centre managers monitor too much and use call monitoring punitively (rather than for development) well-being is likely to be low.' The operational guidance for call centres published by the New South Wales' Department of Commerce (NSW, 2002) warns that though monitoring is a useful tool for coaching staff to improve performance, if it is used as a disciplinary or negative performance management tool it may produce 'feelings of mistrust and suspicion' in staff. Ultimately, people who have multiple targets generally feel they are being watched and monitored continuously, so highly specified performance targets are often constraining and de-motivating (CCA/Kaisen Consulting, 2005).

By contrast, Wood and Holman (2003) say that when the feedback from monitoring is 'timely, constructive and clear', and agents know it is being used to develop their skills, it can improve job satisfaction, and reduce anxiety and depression. They also claim that 'supportive supervision and high job autonomy' may 'alleviate some of the negative effects of performance monitoring.'

Wood and Holman (2003) found that monitoring differs depending on whether it is conducted electronically to assess productivity as well as the extent to which supervisors listen in on calls. They also report that monitoring differs on the basis of its:

- **nature** — the frequency of monitoring, as well as the timeliness and clarity of the feedback
- **purpose** — is it used punitively or to develop staff
- **intensity** — the feeling that it cannot be escaped.

To ensure consistent levels of service and that agents follow set procedures when dealing with customers, it is recommended that team leaders or managers perform at least ten call observations each month for each staff member (NSW, 2002). Yet the extent to which agents are subjected to monitoring varies considerably. A US study found that the number of calls monitored per agent ranged from one a month to more than ten, with the largest proportion (almost 34 per cent) of centres monitoring between four and five calls per agent each month (ICMI, 2005). Holman and Wood (2002) report that the frequency with which calls are listened to was one the things that varied substantially across the 142 call centres they examined. At the RAC call centre in Bristol team coaches assess call quality on a daily basis — three calls side-by-side with the agent and three calls remotely (Suff, 2000).

3.3.1 Feedback

As well as day-to-day call monitoring, the performance management systems in most call centres include regular one-to-one reviews on top of the annual appraisals that may or may not determine salary. The survey of 142 UK call centres by Holman and Wood (2002) found that almost all agents had a regular appraisal to improve performance and to identify training needs. The Danish study also reported that call centres in the country regularly evaluate the performance of staff through a formal appraisal system (Sørensen and El-Salanti, 2004). Also, around 70 per cent of agents' activities were regularly measured.

Regular monitoring and the accessibility of performance indicators, coupled with the need for managers to maintain high levels of efficiency, means that agents tend to have more 'formal' performance reviews that other groups of workers. Whereas, most workers have possibly two formal performance discussions with their supervisors/manager over the course of a year — one to determine pay and one to discuss development — as well as occasional informal discussions, the Danish study shows that 80 per cent of call centre agents receive feedback on their performance every month or more often (Sørensen and El-Salanti, 2004). Table 2 shows the frequency of performance feedback to agents in the Danish study.

Table 2: Frequency of feedback to core employees about performance (per cent)

Quarterly or less	19
Monthly or more	32
Weekly or more	27
Daily	22

Source: Sørensen and El-Salanti (2004)

Table 3 shows the frequency of supervisors' feedback and coaching received by agents in the Danish study.

Table 3: Frequency of feedback/coaching for core employees by supervisors (per cent)

Never or once a year	18
Quarterly or less	24
Monthly	24
Several times a month or daily	33

Source: Sørensen and El-Salanti (2004)

Although good practice suggests that call monitoring and performance feedback should have a development focus, this is not always the case. In the two call centres studied by Watson *et al* the target driven nature of the work resulted in appraisals focusing on whether or not agents had met targets rather than development needs (Watson, Bunzel, Lockyer and Scholarios, 2000).

Performance reviews at the RAC

Call agents at the RAC site in Bristol have monthly off-the-job review meetings to assess performance. These are used to determine bonus payments worth between 10 per cent and 20 per cent of salary. Staff are evaluated in terms of their productivity, quality, the 'customer service index' (essentially, the proportion of customers 'very satisfied' with the service) and reliability. Quarterly personal development planning meetings are held to examine performance trends and achievements (Suff, 2000).

4. Rewarding Call Centre Workers

4.1 Overview

Almost three quarters (72 per cent) of the operating costs of a typical call centre in UK goes on staff salaries: agents' salaries account for almost 64 per cent and management's' salaries 8.6 per cent (DTI, 2004). IDS (2004) reported that the average midpoint annual salary for customer service advisers in 2004 was £15,000. The fourth annual CCA/IRS (Cronin, 2005) survey of pay and benefits in call centres, which was published in March 2005, found that the median, mid-scale salary for lower/standard grade agents (customer service representatives or CSRs) was £13,937, while the median, mid-scale salary for managers was £30,000 a year. Salaries tend to vary more between sectors than they do between regions. IDS (2003) says that pay is the key factor affecting staff attrition, with those sectors paying the highest rates enjoying the lowest average levels of staff turnover.

Around half of call centres recognise trade unions for collective bargaining purposes — 47 per cent says CCA/IRS (2005) and 55 per cent according to IDS (2003). Annual changes to pay are more likely to be either a combination of across-the-board and merit increases, or individual performance-based pay rises rather than straight across-the-board uplifts. Larger call centres tend to use individual performance-based pay systems, while smaller operations are more likely to use across-the-board settlements to raise salaries. Bonuses and incentive payments are popular across the industry, with contingent pay generally linked to customer satisfaction and service quality rather than productivity (CIPD, 2005b). The majority of call centres pay an additional premium on top of basic salary for working unsocial hours.

There is evidence that call centre workers are motivated by more money. Given the make up of the industry's workforce — mainly women in their twenties — many call centres operate flexible working patterns, mainly to attract those with childcare responsibilities, while some encourage a 'fun-working culture' that includes events and internal contests to motivate staff. And, despite the relatively flat structures in most call centres, the best provide ample opportunities for skill development and have tried to make the work more interesting.

4.2 Grading and pay structure

Jobs in call centres may be evaluated using traditional job evaluation techniques that apply to other roles in the organisation. This is especially true in the public sector where pay equality requires the application of analytical job evaluation schemes. Adams (1999a), in a survey of competency-related reward, found that 76 per cent of organisations that used competency-based pay used competencies in designing the grading structure. Some organisations, by contrast, use competencies as the means of determining grading position, and hence pay levels. SITEL, for example, the grading system for CSPs is linked to competencies for the role — quality, productivity, attendance, contract knowledge, call handling skills, and teamwork and communication (Thewlis, 2005).

Broad banding can be used in a similar way to separate out the level of competence within the same grade. The key distinction is between those organisations that increase pay levels for agents on the basis of competency inputs or on level of responsibility/ complexity of the job — as would be determined by a tradition job evaluation scheme. Pay grades at First Direct include: entry, customer representative, team leader and team manager (IRS, 2005). This combines both an element of competency with responsibility.

IDS (2004) found that most call centres had a pay range with minimum and maximum levels for agents rather than a system of single spot rates. Similarly, the CCA/IRS (Cronin, 2005) survey reported that around 75 per cent of organisations reward their staff on salary scales, with defined minimum and maximum points, and in many cases an identified mid-scale.

Despite the popularity among call centres of pay ranges, First Direct, one of the first major financial services businesses to operate wholly as telephone-based operation, continues to use a spot rate pay structure — that is, a system that allocates a specific rate for a job.

There is some evidence that job family structures — where a range of jobs or tasks are brought together under one umbrella category exhibiting similar skills and capabilities — are being introduced in the call centre industry. The Co-operative Bank, for example, operates a separate pay system from the rest of the organisation for its 1,300 staff at a call centre in Skelmersdale. The centre introduced the new pay and grading structure in 1998, which is based on job categories, job families and job profiles, comprising six levels of customer service adviser (including coach and specialist roles) and four levels of team manager (Suff, 2001).

4.3 Financial rewards

4.3.1 Base pay levels

Table 4 shows that median, mid-point base salaries for call centre staff range from £12,500 for trainees to £30,000 for managers (CCA/IRS, 2005).

Table 4: Median mid-scale salaries for call centre staff

Trainees	£12,500
Lower/standard CSRs	£13,937
Higher grade CSRs	£16,000
Team leaders	£20,000
Managers	£30,000
Support specialist	£20,000

Source: CCA/IRS (Cronin, 2005)

IDS (2003 and 2004) has consistently revealed that pay variations are greater between sectors than regions. It reported in 2004 that the lowest salaries for call centre agents were in leisure and transport industry, with average salaries 18 per cent lower than the all-sector average (IDS, 2004). The pay analysts say the relatively low pay rates reflect the 'high volume, lower skills roles predominating in these call centres … for example, ticket selling.' Both IDS and CCA/IRS report that public sector call centres tend to pay higher than average salaries. This is probably because staff working at in-house public sector call centres tend to be paid according to the appropriate civil service grade. NAO (2002), for example, found all call centre staff at the Driving Standards Agency Information Booking Service receive pay equivalent to other civil servants of the same grade or involved in similar work.

Due to the heavy concentration of call centres in the same area, firms' reward strategies are often linked closely to the pay levels on offer elsewhere in the local market. The latest CCA/IRS research found the most common explanation for changes to pay rates outside of the annual review was to bring pay in line with the market rate (Cronin, 2005). An earlier survey of call centres by IRS (2000) revealed that more than 60 per cent of participants monitor the local labour market to inform pay decisions, while 30 per cent also research the national picture. IDS (2003) found evidence of the impact on pay of high concentrations of call centres in the same locality. Pay ranges at Churchill Insurance, for example, were £1,000 higher at its Glasgow call centre than its Ipswich, Nottingham or Peterborough call centres. Similarly, First Direct pays its agents in Leeds around £1,100 more than those in Hamilton. Gooch and Suff (1999) reported that the Leeds call centre operated by Ventura Customer Service Management continuously monitors what other call centre operators are offering in the way of pay and benefits to ensure its stays ahead of the competition for labour.

> **Kwik-Fit Financial Services**
>
> The company's Glasgow-based call centre uses a number of methods to compare its remuneration package with those offered by other local employers. 'Quite a lot of pay information is shared around on an informal basis', says HR consultant Caroline Kretowicz. 'We are very open about our rates, and are happy to share this information with other call centres. Likewise, we ask other organisations about the rates they're offering' (Cronin, 2005).

4.3.2 Basis of base pay determination

Both IDS (2004) and CCA/IRS (Cronin, 2005) report that progression through pay ranges is typically linked to performance and/or competency though some organisations operate service-related incremental progression. CCA/IRS say that the lowest point on a CSR salary scale is used as the recruitment rate, with maximum salaries usually used in the higher grades to reward contribution, recognise service and encourage staff retention. The 2003 call centre survey by IDS revealed that the proportion of organisations that had established pay structures with an element of built-in progression was growing, indicating a trend towards using pay progression as a retention tool as greater experience leads to an increase in earnings (IDS, 2003).

CCA/IRS (Cronin, 2005) found that 30 per cent of organisations — usually larger private sector operations employing 100 or more staff — relied solely on individual performance to set pay rates, and just over a quarter (27 per cent) combined this with an across-the-board settlement. By contrast, around 43 per cent of organisations, particularly smaller call centres with less than 50 agents relied solely on across-the-board increases. A study by the CIPD (2005b) of reward in customer service occupations found that organisations with the highest levels of customer service used the following:

- individual performance-related pay
- performance judged against customer satisfaction, not just productivity
- team-based communication, reward and recognition schemes.

Deathridge (2002) claims that call centres are ideally suited to performance pay schemes, largely because the industry relies on almost continuous assessment of 'hard data', such as abandoned calls, speed of answer, talk time and total wrap time, which provide a regular and objective measure of individual and team performance.

Performance pay

MM Group, which operates the floodline for the Environment Agency, has a performance pay system in place. Each agent receives a base level of pay based on their experience and competency, with further pay increases awarded to those delivering sustained better levels of performance.

4.3.3 Bonuses and incentives

Bonuses and incentives are popular among both call centre employers and staff. The Adecco *Call Centre Census*, which was published in 2004, reported that bonuses were rated the most popular reward by call centre staff, with almost a third of agents putting such additional financial rewards ahead of discounted products, flexible hours, gym membership, subsidised meals and pension as their benefit of choice (Adecco, 2004). IDS (2004) reports that over two-thirds of call centres paid a bonus or commission or operated a profit-sharing bonus scheme, though such rewards were less common in the public and not-for-profit sectors. The CIPD (2005b) found that individual bonuses and team-based rewards were the two most common methods of rewarding staff working in customer services. According to IDS, bonus levels vary between one per cent and 50 per cent, and are based, either separately or in combination, on individual, team and company performance. At First Direct, bonuses are linked to a personal performance factor score — a 21-point scale for measuring individual performance — and corporate performance, which is based on how well parent company HSBC and First Direct perform against financial targets (IRS, 2005).

O2 has recently replaced service based increments with individual performance-related pay. Bonuses of up to ten per cent of salary are on offer based on productivity and performance monitored through listening to phone calls. The company claims to have reduced turnover by means of a revised pay package, combined with a new career framework. The changes came about by a desire to increase employee commitment and to reduce the number of customer complaints (Hope, 2004).

Targets for sales staff relate to the number of calls converted into actual sales. Financial rewards at the RAC site in Bristol (Suff, 2000) are linked to both individual and team performance, which is assessed against these 'hard' targets as well as 'softer' goals, such as call quality, call structure and customer satisfaction.

Examples of individual-based bonus schemes include:

- **The Passport Office Helpline** — incentives are paid monthly in addition to basic pay to agents who achieve or exceed agreed service level at the service which is outsourced to the MM Group (NAO, 2002).

- **Kwik-Fit Financial Services** – there are no limits on the size of bonuses, and it is not uncommon for employees to double their basic earnings through such payments (Cronin, 2005). The company also operates a profit-sharing scheme. An annual profit target is set each year, and, if reached, 15 per cent of the amount over and above the target is distributed among staff.

IRS (2000) found that team-based remuneration is a reasonably common in the call centre industry. It reported that almost a third of the 79 call centres it monitored had a team reward mechanism in place. The Danish study of call centres found that, on average, group incentives are worth 23 per cent of gross salaries (Sørensen and El-Salanti, 2004).

Examples reported by IRS (2000) include:

- **SITEL Consulting** – employees receive a bonus tied to a combination of individual and team performance measures relating to quantity, attitude/customer service and product knowledge. Payments worth up to five per cent of gross salary are available, with the bonus weighted 80 per cent to individual, and 20 per cent to team, performance.
- **Halifax Direct** – bonuses are linked to a combination of individual, team and whole centre performance. The four key elements of the bonus scheme include individual sales targets, customer service 'hurdles', team sales and call centre performance. The team component is worth 2.5 per cent of individual salary for on-target performance, rising to five per cent for 'exceeding' targets.

Team bonuses at Vertex Data Science

Team bonuses are paid on top of individual performance-based salary increases at Vertex, which is a subsidiary of North West Water and, in 1998, employed more than 300 at two purpose-built call centres in Warrington. Individual employees are set performance and personal development objectives, and are expected to acquire a set of role-related competencies. Measurement of these factors affects individual rewards. Also, bonuses linked to achievement of personal, team or whole company targets, worth up to 7.5 per cent of salary for CSRs are payable at regular intervals. For frontline agents, the bonus is structured as follows:

- One-third (up to 2.5 per cent of gross pay) is linked to personal or team objectives. Examples include reducing the average call-handling time and increasing the 'tele-economy' (benchmarked performance against other competitor call centres) rating by percentage targets.
- One-third (2.5 per cent salary) is linked to team or whole-centre performance. Examples include answering a given proportion of incoming calls with a target time, and ensuring abandoned calls do not exceed a set of percentage of inbound calls.

- One-third (2.5 per cent of salary) is tied to whole-company performance to ensure that, irrespective of role, employees clearly see the link between their own and corporate performance. (IRS, 1999)

Mercers (Compensation and Benefits Review, 2004) believes that incentive schemes will become more complex as the work performed in call centres becomes more complex. Their analysis focuses on the move towards selling as well as support, but it is equally true that customer reaction to call centre work will require organisations to consider what it is they are incentivising. Purely using outputs to drive pay is risky in that it can lead to inappropriate behaviours. Input based schemes, of course, suffer from the fact that they do not alone generate income. Nonetheless, the CIPD research (2005b) suggests that contingent pay, such as bonuses, is more likely to be linked to customer satisfaction and service quality than to productivity in organisations providing the best customer service.

Of course, this depends on whether great customer service is the goal or great sales. Where both are required, contribution-based pay (using both inputs and outputs) may be the way forward, especially if the hard measures of delivery can be successfully combined with the softer customer service elements of the job.

4.3.4 Non-financial recognition

Many call centres also offer a wide range of rewards, such as gifts and vouchers to motivate and reward staff. According to the CIPD (2005b), these rewards can be 'more effective than financial rewards when they are highly valued by staff'. Gooch and Suff (1999) report that in addition to discounted Next goods, call centre staff at Ventura Customer Service Management also enjoy discounts at local stores and leisure facilities, and free membership of a health and fitness centre. At SITEL, managers set aside a 'pot' of money to fund motivational rewards, such as CDs, DVDs and weekend breaks (Thewlis, 2005). Some incentives are geared towards combating specific problems, such as absence.

A survey of 70 UK call centres by Noetica found that managers used a variety of techniques to motivate staff. Giving staff gifts, including alcohol, cheap travel and doughnuts seemed to be important forms of motivation. Indeed, 40 per cent of managers used gifts to motivate agents, compared with 11 per cent that used performance-related pay (Noetica, 2005).

Recognition schemes are reported to be particularly effective in the USA (Compensation and Benefits Review, 2004).

Cutting absence at Ventura Customer Service Management

To maximise attendance Ventura has introduced a new approach that combines 'carrots and sticks'. The 'carrots' are entry into prize draws for good attendance. Every quarter, staff with 100 per cent attendance over the 12-week period are entered into a prize draw, with eight winners each receiving £500; the prize for an annual draw for staff with 100 per cent attendance over the year is a new car worth £10,000. The 'sticks' involve the removal of staff from the company sick pay scheme who have more than three periods of sickness in a rolling nine-month period. The company says the scheme, which was introduced in September 2003, helped to reduced absence from 7.2 per cent to 5.2 per cent for a similar period in 2002, which is equivalent to an annual saving of £293,000. (Suff, 2003)

4.4 Other reward elements

4.4.1 Flexible working

The operational nature of call centres requires flexible working patterns. Atypical working arrangements are also something that appeal to many call centre workers. Two thirds of respondents to the Adecco *Call Centre Census* expressed a preference for working flexible hours, with flexible working also considered to be a top three benefit of working in a call centre (Adecco, 2004). TOSCA, the European Union-funded call centre research project, found that staff were willing to be flexible about working patterns where there is a range of alternative options available (CWU, 2004).

Many contact centres operate in an environment of fluctuating demand which enables employers to be relatively creative with shift patterns and working hours. Self-rostering, where employees can agree work patterns between themselves (within constraints which dictate skill levels or grades that need to be present at any given time), can be an excellent way to give call centre workers an added degree of control over their working lives. This type of autonomy helps reduce levels of sickness absence and staff turnover. Annualised hours can also work well to ensure fluctuations in demand can be met without the need for agency staff or excessive overtime. Also, the 'off peak' time can be very welcome extra time off for call centre staff, if given enough notice to make plans, (up to a year in advance is considered good practice).

Annualised hours at a major holiday company

A major holiday company operates an annualised hours contract for staff at their national sales centre. Staff, if they choose to, work longer hours during the busy winter period when people are booking their holidays and demand at the call centre is greatest. During the summer months, when business is quieter, staff are able to take extended periods of leave and work shorter days and weeks. Like many call centres, this one is mainly staffed by young women who find this arrangement works well with school holidays.

Ventura Customer Service Management offers a range of work patterns, including a daily 'school' shift from 10am to 2pm, and a company spokesperson says shifts 'tend to be what people want' (Gooch and Suff, 1999). The CWU (2004) reports that at Loop Customer Management around 20 per cent of employees take advantage of 'term-time flexi-working' — mainly not working during school holidays — as part of an annualised hours scheme. Some firms — mainly the AA, BT and parts of Centrica (British Gas) — have moved beyond temporal flexible to locational flexibility (Reilly, 2000) by allowing staff to work from home.

Flexible working at the AA

A 1997 pilot involving 10 AA call centre agents working from home now consists of 150 employees. Each agent handles emergency breakdown calls only and reports into one of three call centres in Leeds, Newcastle and Cheadle. They cover peak periods of activity — 7 am to 11 am and 4pm to 8pm — on a split-shift basis. According to the company, the business benefits are significant: labour turnover is between five per cent and ten per cent below the call centre average and productivity is between 30 per cent and 40 per cent higher than in a standard call centre. (Suff, 2004)

4.4.2 Career opportunities

Call centres tend to have flat structures. This limits promotion prospects. Nonetheless, the best call centres — defined as those that achieve high levels of both customer and employee satisfaction — provide agents with opportunities to develop their skills, such as coaching colleagues and being able to provide a broader service to customers. At the RAC call centre in Bristol, for example, staff who want a greater variety of work are encouraged to become multi-skilled so they can handle different types of calls (Suff, 2000). The company's policy is to provide staff with the necessary training to do so.

Access to good, appropriate training often produces tangible business benefits. The CIPD (2005b) found that customer service staff that are provided with training were better motivated and more committed than those that had few development opportunities. They also had lower levels of labour turnover and absenteeism. Acquiring new skills, either through internal training courses or externally by studying for a call centre-related National Vocational Qualification (NVQ), is something the majority of agents want to do according to a 2003 survey, which found that 71 per cent would like additional training (DTI, 2004). Although ContactBabel (2004) reports that call centres are responding to staff demands for training — the average number of annual agents' training days was 15 in 2004 compared with 12 in 2003 — Holman and Wood (2002) say the extent of post-induction training varies substantially across the industry.

4.5 Working conditions

4.5.1 Job design

The operational guidance for call centres published by the New South Wales' Department of Commerce (NSW, 2002) says that 'fatigue and burnout' in call centre employees can be reduced by providing a 'variety of tasks and appropriate job redesign'. Redesigning the work of call centre staff is difficult. Some employers ensure that at least agents receive regular breaks from telephone and keyboard work, while others have sought to make the job of frontline staff less monotonous. The work-allocation system at the RAC call centre is designed to give call handlers regular and frequent breaks. The aim is for agents to be off the telephones for 30 per cent of their time each month (Suff, 2000). Team meetings and regular one-to-one meetings between team coaches and individual employees take up around six per cent of this time, with the rest allocated to breaks and administrative tasks.

4.5.2 Motivating environment

In an effort to relieve monotony and to motivate staff many call centres have sought to develop a 'fun' working environment. Theme days — such as staff dressing as television characters — have been introduced at the RAC call centre in Bristol with spot prizes awarded to the 'star' performers (Suff, 2000). At Ventura Customer Services there are celebrity-hosted events (Gooch and Suff, 1999). In the past, these have included a mock night at the 'Oscars' hosted by Angus Deaton, and a 'game show' with Lily Savage. Competitions were also reported as important in the Noetica survey reported earlier, though they were less used than gifts as a motivational tool (Noetica, 2005).

However, CCA/Kaisen Consulting (2005) warn that motivational events do not 'satisfy people's deeper motivational needs, such as the need for recognition and need for achievement'. Maslow's hierarchy of needs theory explored the need for workers to receive approval and recognition. He said a worker need to have a stable, firmly based, high evaluation of his or herself (self-esteem) and to have the respect of others (prestige) (Armstrong, 1999). Smith (2004) says that call centre employees should know that their competence is recognised. He recommends that recognition of good work be expressed in terms of direct praise, a mention in company journals or by awarding individual or team reward. Again US experience seems to back this up. Mercers (Compensation and Benefits Review, 2004) found that good quality supervision and leadership were judged by organisations to be some of the most effective ways of reducing wastage (together with non-financial recognition programmes and a good work environment).

Employers are also increasingly acknowledging that call centre work can be stressful, with agents often having to field calls from obstinate and sometimes abusive customers. To counter such problems, many call centres — more than 80 per cent according to Datapoint (2004) — have established relaxation areas for staff. ContactBabel (2004) also reported the growing popularity of such measures, finding that more call centres now offer 'elaborate niche facilities', such as crèches, gardens, gyms, and that the majority provide 'breakout rooms'. At its new facilities in the Dearne Valley, in South Yorkshire, Ventura Customer Services Management has installed relaxation zones, called breakout areas, as well as a delicatessen, and video games and pool tables so staff can get away from the job (Gooch and Suff, 1999). At Kwik-Fit Financial Services, the company has installed an onsite gym and, what it calls, a 'chill out club', an area that is equipped with pool tables, computer games, digital television and table football (Cronin, 2005).

5. Conclusions

Pay is the most common reason why people leave call centre employment — 47 per cent of those surveyed by IDS (2003). Given that the latest CCA/IRS figures show that even higher grade call centre agents (£16,000) earn less than three quarters of national earnings — the most recent official data shows median earnings of £22,060 in the year to April 2004 — it is hardly surprising pay features highly in the list of major causes of turnover in the industry. According to Smith (2004), who has applied Maslow's Hierarchy of Needs to the call centre environment, employees need, above all, to believe that they are treated fairly, and this includes rates of pay.

Many call centre employers, often out of concern for relatively high levels of turnover, are responding to problems with their reward strategies by making regular changes to base pay and by offering incentives to improve performance. CCA/IRS (2005) report that almost one-third of call centres made changes to salary levels outside of the annual pay review. Nearly one in five (19 per cent) say they also increased pay levels for lower level customer sales representatives in 2004 as well as increases through the annual review process. 'These changes to pay rates reflect the industry's need to attract new recruits and retain staff at a time when many local labour markets are experiencing extreme skills shortages and very low levels of unemployment', says a summary of the CCA/IRS findings (Cronin, 2005).

However, the continued dominance in the call centre industry of productivity metrics to measure agents' performance — largely because they are easy to gather and assess — tends to incentivise behaviour that is often detrimental to service quality. According to Smith (2004) performance metrics should not be selected on the basis of those that the technology makes easy to extract, but should demonstrate individual and team contribution towards achieving the company's goals. If the goal is better customer service, then measures of customer satisfaction and service quality should be at least as important as productivity metrics in determining performance-based rewards. While productivity is important, and ignoring it would be damaging, customer service levels are increasingly differentiating organisations. As the CIPD (2005b) acknowledges: 'Quantity, yes, but more importantly, quality appears to be the position [to] adopt.'

As well as higher pay, bonuses and fringe benefits, Portal (2004) claims that agents who produce the highest quality work are given:

- adequate time and training to handle transactions satisfactorily
- access to frequent, achievable incentives
- people-friendly premises
- a variety of work.

These highlight that intrinsic rewards are as important as extrinsic rewards in motivating call centre workers. Many employees choose to work in the industry because atypical working patterns suit their personal needs, so flexible working should be regarded as a key feature of the overall benefits package. Career progress should be recognised and staff provided with ample opportunity to improve their skills, possibly by taking external courses that lead to qualifications, such as NVQs. This should provide them with transferable skills that will enable them to get a 'better' job later. As they acquire additional skills, competence and experience they should be given more responsibility, such as mentoring newer employees, and, within set parameters, greater control over their work.

6. References

Adams K (1999a), 'Employers' practice in using competencies for pay, progression and grading', *Competency & Emotional Intelligence Quarterly,* Vol. 7, No. 1

Adecco (2004), *Call Centre Census*, September

Armstrong M (1999), *Employee Reward*, second edition, CIPD

Belt V (2003), *Work, Employment and Skill in the New Economy: Training for Call Centre Work in North East England*, paper presented at 21st annual International Labour Process conference

Bristow G, Munday M, Gripaios P (2000), 'Call centre growth and location: corporate strategy and the spatial division of labour', *Environment and Planning A*, Vol. 32 (3), March, pp. 519–538

Burgers A, de Ruyter K, Keen C, Streukens S (2000), 'Customer expectation dimensions of voice-to-voice service encounters: a scale-development study', *International Journal of Service Industry Management,* Vol. 11 (2), pp. 142–161

CAB (2004), *Hanging on the Telephone: Cab Evidence on the Effectiveness of Call Centres*, September

CCA (2004), *Absence Management in Call Centres*

CCA/IRS (2003), *Call Centres 2003: Reward and Flexible Working strategies*

CCA/Kaisen Consulting (2005), *Using Psychology to get Contact Centres Right*, white paper

CIPD (2004), *Recruitment, Retention and Turnover 2004, a Survey Report*, June

CIPD (2005a), *Absence Management: a Survey of Policy and Practice, Annual Survey Report*

CIPD (2005b), *Rewarding Customer Service? Using Reward and Recognition to Deliver your Customer Service Strategy*

CM Insight (2004a), *The Truth about Contact Centre Performance: Mass Customisation versus Mass Production*, part 1, May

CM Insight (2004b), *The Truth about Staff Attrition and Absenteeism in Contact Centres: the Human Cost of Mass Production*, part 2, September

Compensation and Benefits Review (2004), *News and Analysis*, May/June.

ContactBabel (2004), *The UK Contact Centre Operational Review,* (2nd edition), November

Cronin E (2005), 'Call and contact centre pay and benefits', *IRS Employment Review* 820, 25 March

CWU (2004), *Best Practice in Call Centres 2004*

Datapoint (2004), *UK Call Centre Environment Report*

Deathridge R (2002), 'Performance-related pay in call centres', *CRM Today*, www.crm2day.com, 12 September

DTI (2004), *UK Contact Centre Industry: a Study*

Feinberg R, Kim I, Hokama L, de Ruyter K, Keen C, (2000), 'Operational determinants of caller satisfaction in the call centre', *International Journal of Service Industry Management,* Vol. 11 (2), pp. 131–141

Gray M (2005), *In the Loop: Secrets of an Award Winner*, callcentrehelper.com

Gooch R, Suff P (1999), 'Staff retention', *IRS Management Review,* Vol. 13, April

Hope K (2004), 'O2 bonus helps to retain staff', *People Management,* 14 October

Holman D, Fernie S (2000), 'Can I help you? Call centres and job satisfaction', *CentrePiece*, Spring

Holman D, Wood S (2002), 'Human resource management in contact centres', *Institute of Work Psychology*, Sheffield University

ICMI (2005), *Call Centre Monitoring III Study*, Incoming Calls Management Institute, May

IDS (2003), *Pay in Call Centres 2003*, IDS Report 888, September

IDS (2004), *Pay in Call Centres 2004*, IDS Report 913, September

IRS (1999), 'Hurdles and incentives at Vertex Data Services', in *Personnel Issues in Call Centres Today – the IRS Report*, October

IRS (2000), *Call Centres 2000: reward and HR strategies*.

IRS (2005), '3.75% rise for Leeds staff at First Direct', *IRS Employment Review,* Vol. 826, 24 June

Keynote (2002), *Call Centres*

Lockwood D (1958), *The Blackcoated Worker: a Study in Class Consciousness*, Oxford, Clarendon Press

Marr B, Neely A (2004), *Managing and Measuring Fir Value: the Case of Call Centre Performance*, Centre for Business Performance, Cranfield School of Management

Market & Business Development (2005), *UK Call Centres Market Development 2005*

Miciak A, Desmanais M (2001), 'Benchmarking service quality performance at business-to-consumer call centres', *Journal of Business & Industry Marketing,* Vol. 16 (5), pp. 340–453

Morrell S (2005), 'Call centres on the way to a million', *Call Centre Europe,* Vol. 57

NAO (2002), *Using Call Centres to Deliver Public Services*

Noetica (2005), *Call Centre Managers Take the Rough with the Smooth*, www.noetica.com/news/survey

NSW (2002), *Call Centre Operation Guideline*, Department of Commerce, May

OMIS Research (2005), *Best Locations for Contact Centres*, 3rd edition UK survey

ONS (2005), *Social Trends* 35, 2005 edition

People Management (2005), *Call Centre Satisfaction takes a Dive*, 24 February

Portal (2004), *Pay and Conditions within the UK Call Centre Market*

Reilly P (2000), *Flexibility at Work: Balancing the Interests of Employer and Employee*, Gower

Smith G (2004), 'Give your agents what they need', *Call Centre Focus*, callcentre.co.uk

Sørensen O, El-Salanti N (2004), *Call Centres in Denmark 2004: Strategy, HR Practices & Performance*, Danmarks Tekniske Univeristet and Institut for Produktion og Ledelse

Suff P (2000), 'RAC rescues the call-centre image', *Occupational Health Review*, November-December

Suff P (2001), 'The new reward agenda', *IRS Management Review,* Vol. 22, July

Suff P (2003), 'Maximising attendance', *Managing Best Practice*, December

Suff P (2004), 'Home is where the work is', *IRS Employment Review,* Vol. 797, 2 April

Taylor P, Bain P (1999), 'An assembly in the head: work and employee relations in the call centre', *Industrial Relations Journal,* Vol. 30 (2)

Taylor P, Bain P (2000), *Call Centres in Scotland 2000*, Glasgow, Rowan Tree Press

Taylor P, Bain P (2003), *Call Centres in Scotland and Outsourced Competition from India*, Scottish Economic Policy Network

Thewlis M (2005), 'Avon calling: SITEL's challenges in recruitment and retention', *IRS Employment Review,* Vol. 827, 15 July

Watson A, Bunzel D, Lockyer C, Scholarios D (2000), *Changing Constructions of Career, Commitment and Identity: the Call Centre Experience*, paper presented at Employment Research Unit conference, Cardiff

Wood, Holman (2003), 'Burying the stereotype of call centres', *Local Authority Human Resources*, Winter