



CALL CENTRES IN SCOTLAND AND OUTSOURCED COMPETITION FROM INDIA

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Section 1: Profile of the call/contact centre sector in Scotland

We begin by outlining the current state of the call/contact centre in Scotland. Key findings are:

This report summarises an extensive research study of the Scottish call/contact centre industry. The aims of this study were to:

1. assess the extent and consequences of call centres in Scotland adopting the Internet as a channel of customer contact;
 2. analyse, from the perspective of companies operating call/contact centres in Scotland, current practice and future intentions in relation to outsourcing or transferring services overseas, particularly to India;
 3. provide a thorough and comprehensive review of developments in the Indian call centre industry;
 4. synthesise research findings from both Scotland and India and to identify and analyse the factors both driving and inhibiting the migration of call centre services to India, and finally
 5. evaluate the extent of the 'threat' posed to Scottish call centres and employment as a result of the outsourcing, or the transfer, or call centre processes to India.
1. There are 290 contact centres in Scotland. The 2002 forecast by Mitial, the call and contact centre research specialists, of a reduction to 186 contact centres by late 2003 is profoundly mistaken.
 2. Fifty six thousand people are employed in contact centres in Scotland, one in 43 (2.3%) of the working population.
 3. Between 2000 and 2003, 36 centres closed in Scotland, mainly because of the crisis of profitability in telecommunications, company rationalisation, continued weakness of demand, and the vulnerability of small domestic outsourcers. To date, outsourcing to India has had only the most marginal effect on 'lost' contact centre jobs.
 4. Although the growth rate declined markedly between 2000 and 2003 (compared to 1997-2000), the number of call centres increased from 220 to 290, and employment by 10,000 over this period. Thus, the industry has experienced recent considerable growth. Ninety-two call centres predict increased employment by 2006; a significant finding which challenges the fashionable view of the inexorable decline of the UK-based call centre.
 5. Glasgow remains the dominant Scottish location, and Edinburgh is second in importance. The Glasgow hinterland, particularly Lanarkshire, has a significant concentration. Specific locales capturing greater proportions of contact centre employment include Greenock and Dundee. Almost 86% of jobs are in the Central Belt.
 6. Around half the contact centre companies have their headquarters in Scotland. Forty per cent of Scottish contact centres are owned by companies with HQs in England, and 9.4% by companies with overseas HQs, mostly in the USA.

7. Financial services, with 30% of total employment, remains the most important user of call/contact centres. Despite relative decline in telecommunications' share, there has been marginal net growth in employment. The public sector is experiencing the fastest growth, but increases are notable also in computers/IT, utilities and travel/holidays/leisure. Outsourcing has grown in importance, now accounting for 25% of employment (20% in 2000).
8. The mean contact centre size is 201 employees. More than one third of contact centres employ less than 50 people, but account for only 4% of the total workforce. Almost three-quarters of all staff work in establishments where 250 or more are employed, and more than one-half in workplaces of 500 or more.
9. More than two-thirds of employees have full-time contracts, and employers expect this proportion to increase. Fourteen per cent of employees are temporary workers, a smaller proportion than in the past. The overwhelming majority are agency temps and, of these, 88% work for just eight organisations.
10. Thirty-nine per cent of the workforce is male and 61% female. The proportion of males has increased steadily since 1997. Unsurprisingly, females are disproportionately employed on a part-time basis.
11. Twenty-three per cent of contact centres provide at least one foreign language. Foreign language speakers now comprise 6.6% of the total workforce, representing modest growth since 2000.
12. The availability of labour, with requisite skills and qualifications, is the most important reported reason for companies locating in Scotland. The cost base is significant and has grown in importance, as has financial assistance from government agencies. The Scottish origin of many companies is also cited as an important locational factor.
13. Over 80% of contact centres reported labour availability and/or workforce skills as reasons why they had remained in Scotland. More than a third stated that the cost base of Scottish operations was a significant factor, and that the success of their operation was a reason to remain. Evidently, companies' Scottish origins and their proximity to markets are important, as is continued support from the Scottish Enterprise network.
14. Fifty-nine per cent were satisfied with skills availability in the Scottish labour market. The most frequent complaints were shortages of language and sales skills. Some companies reported difficulties in recruiting because of tight labour market conditions.
15. Monitoring agent/customer interaction is extensive. Only a small minority of contact centres have no centre-wide targets. Extensive quantitative and qualitative targets commonly translate down to business unit level, to team level and finally to agent level.
16. Training provision varies considerably, with the most extensive mainly in the financial services and public sectors. A majority envisage changes in training in the next two years. The most significant are the growth of on-line learning, a greater focus on personal development, and innovation caused by regulatory change imposed by the Financial Services Authority.
17. Fifty-two per cent of employees work in establishments which recognise a trade union. Recognition is most common in the public sector, telecommunications, financial services, utilities and travel. Conversely, in the media and computers/ IT sectors, and outsourcing, there is little trade union recognition. While most recognition agreements are long standing, eight are identifiably new. Ninety-five per cent of non-union centres did not envisage granting recognition.

Section 2: The use of the Internet and its impact

Contact/call centres make extensive use of information technology and in particular the Internet in their dealings with customers. Our research revealed that:

1. Fifty-six per cent of call centres report that they use the Internet for business transactions with customers, while 44% use only the telephone as a medium of customer contact.
2. The volume of telephone based customer contact *relative* to Internet/email contact is predicted to decrease and Internet business to increase. The rise of the Internet has led neither to the displacement of the telephone, nor to catastrophic job loss. Forty per cent of respondents state that since the Internet's introduction the volume of telephone business has increased. However, only 49% of those using the Internet are web integrated.
3. Ninety-one percent of those using the Internet report that staff combined Internet work with telephone-based customer contact. Only 3.8% deploy agents exclusively on the Internet, and only 16% look for Internet-related skills from recruits.
4. The greatest reported success of the Internet is cost reduction. The provision of 24-hour customer access and an additional contact channel has led to growth in the customer base. Increased customer self-reliance and knowledge, and speed of communication and transaction, are additional successes.
5. The most frequently reported problems are technical. However, customers' reluctance to use the Internet is cited by several respondents. Difficulties exist in connectivity and cost at the customer's end. Some believe that the impersonality of the Internet is problematic as is the fact that telephone call volumes had not decreased as expected.
6. Sixty-two percent target Internet services at particular categories of customers. 39% of those without Internet services did provide them on separate sites, and 44% had plans to introduce them.

Section 3: Outsourcing within the UK

Call centres frequently outsource to other providers of call centre services. The research revealed that:

1. Twenty-three per cent of call centres surveyed outsourced services to UK call centres, with financial sector companies prominent. Those services outsourced tend to be more routine and low value, while 'pure' outbound work is notable. Outsourcers are commonly used for overflow calls and to deal with 'out of hours' customers. Many outsourcers are based in Scotland.
2. The most frequent reason for outsourcing is to deal with peaks or overflows in call volumes. Cost reduction is important particularly in relation to labour deployment. For some, outsourcing was a trial, permitting cost and quality benchmarking, with a view to increasing future activity. For others outsourcing helps overcome labour shortages.
3. Many organisations report that expectations had been fulfilled, particularly in dealing with peaks in demand and overflows, but to a lesser extent in cost reduction.
4. The main disadvantage of outsourcing is poorer or inconsistent customer service. For some, outsourcing has not delivered expected cost reductions. Problems of management control, contract inflexibility and high staff turnover are also reported.

Section 4: Outsourcing/transferring services to India or overseas

What has been the extent of and what are the implications of moving call centre services overseas? Our research survey provides detailed new evidence.

1. Twenty-two companies who operate contact centres in Scotland have migrated voice services overseas - nine in financial services, and three in both the telecommunications and travel/holiday sectors. These companies are responsible for 38% of call centre employment in Scotland. However, because companies have established operations in India does not mean the wholesale migration of Scottish contact centre jobs will follow.
2. The term outsourcing does not capture all possible relationships between UK/Scottish companies and Indian suppliers. Although outsourcing to a third party is most common, partnership or co-sourcing with Indian companies is growing. Some companies directly own or run their Indian operations, while others assume direct managerial control.
3. There are similarities between certain types of services migrated to India and those outsourced within the UK, e.g. outbound, overflow and out-of-hours calls. Evidence supports the conclusion that some of the more routine, repetitive and low values services are being moved abroad, although there is a trend towards outsourcing more complex IT help desk and technical support.
4. The three most common locations of outsourced voice services in India are Delhi, Mumbai and Bangalore. The workforce size ranges from 5 to 2,000.
5. The most frequently reported reasons for migrating services overseas are cost reduction and/or increased profitability, followed by labour availability and, more specifically, the skills and education of the workforce. Several companies state that the need to offshore repetitive, routine (often outbound) work is important. The promise of operational flexibility, and the ability to extend customer contact hours, are also cited. Some organisations hope migrating services will achieve synergies across global operations.
6. The two principal and related objectives driving offshoring to India, cost reduction and tapping pools of skilled labour, appear to have been achieved by many companies. Other reported advantages include the opportunity to enhance global business opportunities, to improve customer service and to benefit from the provision of 24/7 services.
7. The most frequently reported disadvantages are problems with Indian agents' language and accents, or cultural differences between the UK and India. This is followed by difficulties in exercising control over distant and remote operations. Another notable disadvantage relates to customer satisfaction and confidence, and resistance to outsourcing. The costs associated with start-up are also seen as disadvantageous. Organisations report problems of morale and insecurity amongst their UK workforces as a consequence of outsourcing, or the possibility that it might be extended. Indicative of an emerging problem is the admission, by one company, of problems with attrition in their Mumbai centre.
8. The majority of companies who currently outsource claim that there has been no or negligible impact on Scottish operations as a result of offshoring. However, two report job loss, internal difficulties and profound morale problems caused by job insecurity.
9. Eleven companies (of 22) who currently offshore to India intend to increase outsourcing activity in the next two years. Eight are financial sector companies. Again the assumption cannot be made that this will automatically lead to the devastation of Scottish jobs. This does not usually involve a strict 'India v Scotland' choice, but rather companies placing outsourcing within wider strategic considerations, in which the maintenance of UK contact centres is probable, albeit with reduced employment levels. Decisions at the level of

- the firm are vital. One large banking company is simultaneously expanding its Scottish *and* Indian operations, while an insurance company is considering re-locating large parts of customer contact to India. In sum, some Scottish contact centre jobs, most probably in financial services, are likely to be affected by outsourcing over the next two years.
10. Against this, five currently outsourcing companies state that they do not intend increasing this type of activity over the next two years. Two are among the largest employers in Scotland. While both have seen headcount reductions and are planning future contraction, the principal cause lies less in the development of Indian contact centres, and more in the effects of company-wide re-structuring.
 11. Of the companies who do *not* currently outsource overseas, six report that they will migrate services over the next 12 months, a total which rises to seven within two years, and eleven within five years. The numbers who say they will 'possibly' outsource rises from five within 12 months, to fourteen within two years and twenty-three within five years.
 12. Amongst 'definites' and 'possibles' the finance sector is prominent, with insurance companies central to the first migratory wave and banking companies following them. The further into the future, the greater the interest from companies in diverse sectors – telecommunications, computing, holidays/travel and outsourcing.
 13. Given the large numbers stating that offshoring is a possibility in the next 2 to 5 years, it appears that the contact centre industry is on a cusp, and that the translation of intention and possibility into actual migration will depend on the influence of many factors. Clear evidence of the tangible benefits demonstrated by those companies who have already offshored might encourage others to go to India. Conversely, evidence of significant problems might persuade organisations to pull back from offshoring. Thus, the trickle of companies abroad may become a flood, or the extent of outsourcing may remain relatively limited.
 14. Powerful forces are driving outsourcing, but equally there are countervailing factors inhibiting the migration of services overseas. The current indecision of many companies is rooted in the fact that the outsourcing of voice services from the UK is still in its early stages, and it is not clear that the advantages sufficiently outweigh the disadvantages.
 15. One hundred and thirty-seven organisations, responsible for 172 Scottish call centres, state they have no intention of outsourcing overseas in the next five years. Some are companies prohibited, or inhibited, by regulatory/legal reasons, central and local government, care/help organisations, and many who serve local markets.
 16. The size of firms and their call centres are positively related to decisions to outsource. What is significant is not size *per se*, but that larger contact centres are more likely to have higher call volumes, and of a routinised kind which lend themselves to outsourcing.
 17. Companies' decisions to outsource - and the scale of that outsourcing - depend upon numerous factors whose effects are difficult to determine. The actual performance of operations in India, the overall state of the UK, Scottish and world economies, the extent to which an organisation is tied to its home base and the credibility of alternatives to offshoring are all important factors. In addition, the degree of customer resistance, the effectiveness of trade union campaigns, the perceived ability to migrate complex services abroad, broader strategies of restructuring and the financial health of companies must also be considered as influential. Unlike in recent, sensationalist reports, which have not been based on rigorous data gathering and analysis, it is not possible to state with certainty the number of jobs that will be 'lost' to India.
 18. Companies may overturn, at short notice, previous decisions not to outsource, in the context of the fiercely competitive market conditions in which their contact centres operate. The promise of massive reductions in the cost base is a powerful incentive.

19. One useful approach is to compose a profile of the type of contact centre service most susceptible to migration overseas – high volume, low value, routinised, repetitive, short call cycle times, largely in financial services, initially in insurance but increasingly in banking. Vulnerable jobs are most likely to be in large workplaces, and in companies where recent mergers and rationalisation may have occurred, or where companies are facing profound financial difficulties. Yet, wherever call flows are most volume-driven and the nature of interaction between customer and agent is least complex, irrespective of sector, there is a real possibility of overseas outsourcing.
20. The overwhelming majority of companies who have not outsourced to India, see lower (particularly labour) costs as the principal advantage of offshoring. Second, is the other widely acknowledged advantage of a large supply of educated, skilled and committed labour. The ability to provide an extended or flexible service to customers was also cited.
21. The most frequently reported disadvantage is the difficulty controlling remote operations. More than one in four see accent, communication and language problems as problematic, while others perceive difficulties arising from cultural difference. A significant minority believe that inferior customer service would result, perhaps caused by lack of experience, expertise and technical knowledge. These perceived disadvantages conflict with the usual positive portrayal of Indian call centres.
22. Companies fear damage to brand or image from customer backlash. Some believe telephony and infrastructure problems exist in India, while others remain sceptical regarding the cost benefits.
23. Fifty-two per cent of respondents believe that Scottish contact centre employment is threatened 'to some extent' by the migration of services. More than 20% believe the threat is great in the longer term, while 13% think it likely to be great in the short term. Twelve per cent perceive only a slight threat.
24. Few organisations are considering offshoring to locations other than India, although South Africa is the most commonly cited alternative destination.
25. In terms of the actions which could, or should, be taken by government or public bodies, the most common response is the request for financial assistance, whether for training, technology improvements or other purposes. Others feel that the government should promote a more positive image for the industry, or conduct research to assess the threat from India. Underlying many responses is the view that since Scottish contact centres might not be able to compete with India on costs, the government should concentrate on developing more complex and skilled work in Scotland. Others think the government should ensure that health and safety and minimum wage standards are applied in overseas call centres, and that data protection issues are pursued.

Section 5: The evidence from India

Section 5 summarises the research that was conducted in India as part of this study. We begin by describing the context and background of the Indian call centre industry.

1. Indian call centres are included within two broader categories - Information Technology Enabled Services (ITES) and Business Process Outsourcing (BPO). Three-quarters of call centre sites also provide non-voice services.
2. The ITES-BPO sector, and call centres, have grown rapidly over the last few years. Taking all the evidence into consideration, between 75,000 and 115,000 were employed in Indian call centres at June 2003.
3. Insurance and retail banking are the most significant industrial sectors and telecommunications has also seen much migration. The National Association of Software and Service Companies (Nasscom) has identified several sectors – retailing, utilities, IT, hotels and software – as having high outsourcing potential.
4. The five organization types in the Indian ITES-BPO market are: ‘*captives*’, *third party providers*, *Indian software/IT firms*, *Indian business houses* and *global IT and BPO companies*. Mergers and acquisitions have blurred the boundaries between these categories. Joint ventures between UK/US and Indian companies are growing in number. Although only limited consolidation has occurred to date the trend is expected to accelerate.
5. While many small centres operate as niche players, there are growing numbers of medium to large third party providers, often operating across multiple sites.
6. The greatest concentrations of call centres are in the National Capital Region (Delhi), and in the largest city and principal commercial centre, Mumbai (Bombay). However, the cities of Bangalore and Chennai (Madras), and then Kolkata (Calcutta) and Hyderabad, are sites of considerable activity. To reduce risk, avoid overheating in the bigger cities, tap into cheaper, new pools of labour and to qualify for state government incentives and grants, companies have recently been investing in smaller cities.
7. The origins of the Indian ITES-BPO industry lie in GE, American Express and British Airways locating ‘captive’ back-office processing in the mid-1990s, motivated by promises of substantial cost savings. Expansion followed in the late 1990s because of tight labour markets and overheating in the US economy but, by 2000, economic downturn and the immediate prioritisation of cost cutting had become the principal driver of offshoring to India.
8. Consequently speculative investment swept the third party segment. Exaggerated expectations of demand, and a failure to understand the essential nature of customer service, led to many ventures collapsing and hastened the subsequent shakeout.
9. September 11th slowed US activity, but the persistence of recession and the overriding corporate priority of cost-cutting accelerated demand. The ITES-BPO business, with call centres an integral part, grew through the recession, indeed *because of* the recession. The industry in India remains relatively immature, a factor which UK call centre companies must evaluate as they consider outsourcing.
10. Since the early 1990s successive Indian governments have embarked on economic ‘reform’, which can be summarised by their enduring commitment to liberalisation, privatisation and globalisation. Central government policies significantly impacting on the call centre industry include the extension of tax breaks and financial incentives, the deregulation of telecommunications, the establishment of Software Technology Parks and export processing zones, and labour market deregulation.
11. State governments play important roles, competing with each other to attract ITES-BPO

- companies, providing financial assistance and tax exemptions and relaxing labour laws e.g. removing restrictions on women working at night. States increasingly intervene to assist the industry as it experiences difficulties in relation to the recruitment, retention and training of call centre agents.
12. Nasscom plays a hugely significant role in promoting the ITES-BPO industry, and in representing its interests with government, e.g. lobbying has led to call centres being exempted from a new services tax.
 13. The principal market for the Indian ITES-BPO industry is the US - perhaps 85% of business comes from North America. Evidence reveals growing interest and business volumes from the UK, particularly from financial service companies, but also from telecommunications, retail and IT firms. Many in the Indian industry believe that the outsourcing decisions taken by HSBC and the Prudential changed perceptions of other UK companies.
 14. Consultants' reports suggest the global BPO market might grow to around \$1,100 million by 2006. Currently, only 5% of BPO is offshored. Indian analysts claim that clients are moving from limited tactical outsourcing to strategic offshoring. The imperative of cost reduction is informing strategic decisions to outsource *and* offshore.
 15. A review of the evidence suggests that cost savings in the range of 40-60% could occur when ITES processes are outsourced to India, with labour cost savings the principal component. Nasscom claim that wages are 70-80% lower than in the UK or US, although recent research (by McKinsey) suggests around 60-65%.
 16. Labour costs comprise around one-third of the total costs in Indian call centres, the reverse of the UK, where labour costs are around 50-70%. Many implications follow including the requirement to utilise call centre capacity for the longest periods possible. Although India's considerable labour cost advantage appears overwhelming and irresistibly attractive, deployment of this relatively inexpensive human resource is far from non-problematic.
 17. India's labour cost advantage is meaningless without the other key workforce attribute - the ability to speak English. Ninety per cent of Indian ITES revenues come from English-speaking geographies. Many of the plentiful graduates who comprise the call centre workforce will have spent 15 years learning English at schools or colleges. However, there are difficulties in converting the potential of this English-speaking resource into an actual ability to interact with customers for whom English is the mother tongue. The depth and complexity with which Indian call centre agents can engage with customers is a key issue facing the industry.
 18. US and UK companies refuse to contemplate migrating services to India without guarantees of 'redundancy' i.e., provision of alternative electrical power supplies and telecommunication connectivity. Power cuts are common, but unevenly experienced, with greater difficulties in Delhi than in Mumbai. The provision of back-up supplies by call centre companies, though apparently successful, has increased infrastructure costs.
 19. In 1999 the central government launched the National Telecom Policy, aimed at modernizing India's infrastructure, and facilitating national and international connectivity. Telecoms deregulation, the opening of international, long distance and local services to unrestricted competition and improvements to fibre optic connectivity have occurred. While costs have fallen, extensive redundancy provision through alternative forms of connectivity is expensive. The tendency for call centres to cluster close to cable routes has inadvertently contributed to overheating and attrition.
 20. The consensus in the Indian industry is that, while difficulties remain, the Indian telecommunications infrastructure has improved significantly in the main cities.

5.1 Managing the workforce

1. Rapid growth in the call centre sector has produced difficulties in important areas of human resource management – recruitment, selection, training and attrition.
2. The majority of call centre agents are recent graduates, and the youth of the workforce is striking. Roughly equal numbers of men and women are employed, overwhelmingly on full-time contracts.
3. Nasscom recommendations regarding recruitment procedures to be adopted by call centres, include tests in the English language, listening and analytical skills, assessment of attitudes, team playing and leadership capability. All employees should have university degrees, with those at senior management level possessing MBAs. However, there is evidence that very top level graduates are not employed in the industry.
4. Many applicants fail the hurdles of speech and accent tests. The ability to speak English does not guarantee that Indian graduates will be capable of communicating with English speaking customers to standards deemed acceptable by call centre organisations, and their clients.
5. The intervention of state governments in providing tests to screen potential agents indicates the scale of employers' problems. Substantial costs are incurred in sifting through applications, and in replacing employees whose performance is judged unacceptable. To minimise recruitment problems, employers use several methods including personal recommendations by existing staff, direct contacting on campuses and using recruitment agencies. The overwhelming majority of applicants offered jobs take them.
6. A sizable minority of organisations have experienced recruitment difficulties, with the shortage of skilled agents in the marketplace the most important reason. Problems also exist in recruiting experienced and capable team leaders and managers.
7. Language and accent training is regarded by Indian suppliers, and by their clients, as the single most important aspect of employees' development, as the quality of agents' interaction with customers is fundamental to the success of a call centre. Without effective, sensitive and profitable communication, calls might be abandoned, misunderstandings arise, and revenue or customers lost to the company.
8. There are two dimensions to this training. Firstly, Indian agents must be able to comprehend customers who may speak with local accents. Secondly, the agents must be understood by English-speaking customers. The universal practice is to 'neutralise' Indian accents, modifying speech in order to remove thick accents and inflections. Following neutralisation, the majority of companies encourage or train employees to adopt the accents of specific client bases, a practice which some fear may contribute to psychological strain experienced by agents.
9. Most companies provide training on the cultural background of customers' countries. Evidence suggests the impossibility of providing any real depth of understanding through short training programmes. Certain commentators and industry leaders suggest that, despite companies' efforts, profound cultural differences between India and the West affect interaction between agents and customers. While agents' formal command of the English language is acceptable, there may be insufficient flexibility and depth to ensure that anything other than routine tasks can be carried out.
10. Rates of attrition in India are similar to those in the UK. The consensus is that the industry average is 25-35% per annum, with rates of 50-60% in particular locations and companies. Attrition is regarded as the most pressing human resource issue facing Indian call centres and, by some, as the most significant industry challenge generally.
11. The causes of high attrition are both '*pull*' and '*push*' factors. Rapid growth and the tendency for call centres to cluster has contributed to

agents leaving to go to other centres for 'a few dollars more'. Shortages extend to team leaders and senior management grades where attrition is also high. At the same time, the experience of demanding, intensive and frequently stressful call handling during evenings and nights, causes many to leave call centre employment.

12. Effects of high turnover include increased (recruitment and training) costs, and a discernible rise in overall wages, as companies pay more to retain existing staff or to recruit from competitors. Consequently, the pressures generated by rapid growth have begun to erode India's principal competitive advantage – low labour costs. Further, high attrition may damage the quality of customer service.
13. Various actions are proposed in an attempt to impose 'discipline' on the industry - promoting from within, bilateral anti-poaching agreements between companies. Employers in Hyderabad have signed a code of conduct stipulating that employees have to serve at least one year with a company before they can work for another.
14. Exact data on call centre pay is not easy to obtain. A recent survey calculated the mean base wage for Indian call centre agents was £1,004 pa, rising to £1,475 pa with incentives and premia. A Nasscom survey estimated the total rewards package for a basic level call centre agent at £1,842 pa. Fieldwork evidence suggests that survey data may be outdated and that pay rates are higher, driven upwards by the impact of turnover in this rapidly expanding sector.
15. Pay levels in call centres are lower than those in the IT/software sector, but generally higher than for other white collar professionals, especially when call centre agents' age and experience are taken into consideration.
16. Transporting employees to work presents huge logistical challenges for employers. At stake is the very ability of call centres to operate effectively. Organising free transport by providing fleets of buses, mini-buses and taxis is not only costly but also requires considerable investment of managerial time and effort. The key factor is the requirement for Indian call centres to function through the night to coincide with the peak times in the US, and in evenings for UK markets. While employers' principal objective is to ensure punctual attendance, companies are also obliged to safeguard (young) female employees, given powerful traditional social, family and religious norms. Logistical difficulties are compounded by severe weather conditions.
17. Many employers also provide free or subsidised food, a practice widely regarded as an operational necessity rather than a perk. Outsourced to catering suppliers, food provision also adds to operating costs.
18. Customary Indian workplace hierarchical attitudes may conflict with the requirement for agents to be flexible and to take initiatives, albeit within the constraints of repetitive, possibly scripted calls. 'Top down' methods dominate company communication systems. Despite widespread trade union organisation in the telecoms, banking and finance sectors in India, unions have no discernible presence in call centres. In sum, employees experience a representation deficit.
19. Significantly, many UK companies who migrate services recognise trade unions for collective bargaining purposes at home, but do not do so in India. The absence of trade unions should not necessarily be regarded as a permanent condition, if the task of organising is taken seriously. Some industry leaders believe that conditions of work predispose workers to consider joining a trade union.
20. India is no exception to the internationally recognised phenomenon that much call centre work can be experienced as intensive, demanding and frequently stressful. Indeed Nasscom refers to 'high volume induced burnout and the tedium of some tasks'. The evidence suggests that the type of calls handled in India tend to be routinised, repetitive and with short cycle times. Service Level Agreements between clients and outsourcers are translated into targets for agents, which also contribute to the pressures of work.

21. Compounding the intensity of repetitive task performance is the significant fact that call handling takes place at night, or late into the evenings, on shifts which last between eight and ten hours and, in some cases, six days a week. Some managers report that this combination is stressful, taking its toll on agents' health, social and family life. Evidence from workers confirms the negative consequences of intensive call handling and shift working. Notwithstanding formal adherence by employers to health and well-being policies, problems of exhaustion, withdrawal and burnout are common.
 22. Housed mainly in recently constructed offices, the Indian call centre built environment bears favourable comparison with facilities in the US and UK. In this sense Indian call centres are not 'sweatshops'. However, as buildings are sealed, and internal temperature, humidity and air quality are controlled by Building Management Systems, it is possible that the same ailments and problems of employee ill-health, identified by the World Health Organisation as related to these factors, are occurring in India. Certain local conditions may exacerbate symptoms associated with 'sick building syndrome', e.g. extremes of temperature/humidity and prolonged building occupancy (which BMS might be unable to counteract) and the performance of repetitive work.
2. Some industry insiders believe that moving up the value chain is not simply desirable, but necessary. Reliance on labour arbitrage and conducting low value processes is leading to 'commoditisation' as India's country advantage is available to all suppliers. In circumstances where similar services are provided, customers have become increasingly aware of pricing. Consequently, the industry has become intensely competitive and downward pressures are being brought to bear on margins. Thus, labour cost savings are a necessary, but insufficient, condition for future growth and profitability, and the securing of contracts which provide for more complex, remunerative work, and require greater skills, has become a priority.
 3. The ITES-BPO industry is acutely aware of 'backlash' in the US, UK, and elsewhere. Customer dissatisfaction with outsourcing to India may result from fear of job loss, inferior customer service, base nationalist or racist motives, or perceptions of corporate greed. Companies who have outsourced, or are proposing to do so, may suffer from damage to brand or image, and lose customers and revenue. The proposal of New Jersey to ban outsourcing of government work abroad has been widely discussed. UK trade union campaigns, by Amicus over Prudential's decision to outsource, and by the CWU over British Telecom's remote sourcing, have had an impact. However, the ITES-BPO industry remains bullish about the effects of 'backlash', believing that the offshoring of services is inevitable and objections will be overcome.

5.2 Additional issues

1. Nasscom's growth strategy for the ITES-BPO industry recommends companies to capture whatever low value and routinised processes they can, and then demonstrate to clients the ability to deliver on time, to cost and at quality levels which preferably exceed the stipulated criteria. In so doing, companies can 'move up the value chain' and capture more complex and lucrative work. Thus, Indian suppliers need to gain 'domain expertise', deep knowledge either of particular industries or of generic processes. The evidence suggests that only limited steps have been taken towards meeting these objectives, but moving up the value chain remains a powerful aspiration.
4. Several issues emerge, relating to the ethical practice or corporate social responsibility of companies migrating services to India. Firstly, given the widespread practice of third party providers not revealing to customers their Indian location, a strong ethical case can be made for the right to be informed. Attempts by organisations to mislead customers could be highlighted as examples of bad business practice. Conversely, frankly informing customers that their calls are being handled in India may be regarded as good practice.

5. Similarly, either requiring or expecting Indian agents to adopt westernised names and identities could be seen as manifestations of neo-colonialism and racism, which may contravene the Race Relations Act in the UK. If UK companies have nothing to fear from migrating services, then they should encourage Indian employees, who provide services for their customers, to be free to adopt their own names and identities.
6. Thirdly, companies who recognise trade unions in the UK should extend this right to Indian employees who are working on services on their behalf. Failing to do so leaves companies open to the charge of treating India workers inequitably, and strengthens the conviction that companies are in a 'race to the bottom' over wages, employment conditions and workers' rights. It is hypocritical to claim that the culture, ethos and nature of services provided remotely from India replicate those provided in the UK, when a key element of the employment relationship - trade union recognition - is not being offered in India.
7. Recognising unions in Indian call centres could overcome suspicions that outsourcing UK companies are motivated exclusively by corporate greed, through the exploitation of poorly paid workers on inferior conditions. Given the representation deficit in Indian call centres, recognition would be a positive development, ensuring improved workforce communications. Moreover unions could play a valuable role in working with management to protecting employees' health and safety. Adherence to HSE guidelines, or applying examples of best practice from negotiated agreements, could lead to improved performance, including the reduction of attrition or sickness absence rates. Companies also need to comply with ILO standards and principles.
8. Fourthly, given that no data protection legislation exists in India, there is a strong case for UK companies taking all steps necessary to protect their customers' interests, and informing them of the effectiveness of these measures.
9. That political instability in the region can cause serious damage to India's reputation as a reliable and safe offshore location is evidenced by concerns expressed within the ITES-BPO industry. Although the threat of full scale military conflict between the two nuclear powers, India and Pakistan, over the disputed border state of Kashmir, has receded since 2002, the underlying dispute remains unresolved. An indication of continued turbulence is not only the Mumbai bombings of August 2003 which killed over 50 people, but also the reaction of India's Deputy Prime Minister, who claimed the attack was part of Pakistan's 'war of terror' against India.
10. Recent episodes of communal violence, notably the virtual Muslim pogrom in Gujarat in 2002, are inexplicable without reference to the dominant party in India's ruling coalition government, the Bharatiya Janata Party (BJP), a Hindu nationalist organisation. The BJP is sustained in power with the support of a wide range of regional allies. This unstable situation seems set to continue in the run up to national elections in 2004, during which BJP fundamentalists may well resort to Hindu nationalist and populist appeals.
11. In essence, the strategic aim of attracting foreign direct investment and making India an attractive location for offshoring, clashes with the BJP's chauvinism and the political turbulence that its actions frequently encourage.
12. The return of the threat of war, and/or the re-emergence of intense domestic political instability and communal violence, could both forestall decisions to migrate services to India and trigger the termination of contracts already in place.
13. Political instability can emerge, in unexpected ways, to threaten the Indian ITES-BPO industry's ability to service customers in the UK and the US. The general strike of September 2003, in Karnataka, caused massive disruption to Bangalore's industry. Call centres, because of their inescapable requirement to handle customers' calls in real time, were most

vulnerable and were able to provide a service only through agents' working extended hours. Call centre managers expressed real fears that disruption to servicing their clients' customer base would lead to cancelled contracts.

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