The South African Call Centre Industry:
A Study of Strategy, Human Resource Practices and Performance

Part of
The Global Call Centre Industry Project

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Executive Summary

This South Africa call centre industry report is part of the first large scale survey of management strategies and employment practices in the global call centre industry, covering almost 2 500 call centre sites in 17 countries. In this report, we present the results of the survey that was conducted in South Africa, covering a total of 64 companies with a workforce of nearly 5 600 people. While the companies that participated are only a sub-sector of the total call centre industry in the country, the detailed information they provided offers a unique understanding of employment practices and business strategies in the call centre industry. Key findings of the study include the following:

General characteristics
South Africa's call centre industry is dominated by centres serving a domestic market (91%) and primarily in-bound customer service calls, rather than outbound sales calls. Of the call centres in this survey, 51% are located in Gauteng province, and another 38% in the Western Cape. A full 81% are operated as in-house call centres, and the average size was 77 call centre agents. The call centres operate across many different industries, with telecommunication, insurance, banking and financial services industries being the most prominent.

Workforce
Race: Africans are still highly under-represented in the industry, particularly at higher levels in call centres. Overall, 79% of the country's population is African, but only 27% of agents, 18% of team leaders, and 7% of managers are African. The white population, which comprises only 10% of the total population, make up 26% of core workers, 37% of team leaders, and 61% of managers.
Gender: Overall, the percent of the workforce that is female is consistent across all three occupational categories, with 57% of core agents, 57% of team leaders, and 59% of managers female. These figures are somewhat below global averages in the industry, which tends to employ more women than men.
Education: In the vast majority (84%) of call centres, core agents typically have a matric or school-leaving certificate. In only 3% of call centres did core employees typically have less than a matric. In 13% of call centres typical core employees had more than a matric or school-leaving certificate — either a technical degree or certificate, or a University degree. These figures are somewhat less than in other countries, where a higher percentage of call centres depend primarily on employees with a University degree, belying the image of work in call centres as being only low-skilled clerical jobs.

Employment Conditions and Practices
Labour Costs: On average, labour costs account for 60% of total costs of operating a call centre. This compares to 70% in developed countries in the global call centre study, and an average of 57% in all industrialising countries in the study.
Earnings: The average call centre agent was paid R76 800 a year, though this figure varies by industry and type of call centre. Call centres in manufacturing provide the highest average earnings, at R97 250 a year, and telecommunications the lowest, at R58 800 a year. In-house call centres generally pay more than sub-contracted call centres (R78 200 vs R73 200) and small call centres (less than 50 employees) generally pay more than large call centres (R80 600 vs R67 300).

Turnover: The total annual average attrition rate (quits + dismissals + retirements) across all call centres is 16%, though this number is lower in sub-contracted call centres and in smaller call centres. On average, 5,3% of employees were promoted within the call centre in the previous year, and 5,8% were promoted or transferred outside the call centre but within the business in the previous year. When looking at all forms of turnover, South Africa's median turnover rate of 21% is essentially the same as the global figure of 20%, though South Africa's median quit rate of 5% is low by international standards. In India, often seen as South Africa's main competitor for international call centres, total median turnover is 39% and median quit rate is 20%.

Costs of turnover: On average, managers reported that it costs R17, 264 to recruit, screen and train each new employee. This amounts to 22% of the average yearly earnings. In other words, the typical replacement costs of one worker equals more than 2 ½ months of the typical workers pay.

Training and Development

Training: Investment in training appears to be lower in sub-contracted call centres than in-house call centres, averaging 17,4 days of initial training for new hires, compared to 26,5 days in in-house centres.

Time to be fully competent: It takes an average of 18 weeks for employees in in-house call centres to become fully competent, compared to 12 weeks in sub-contracted call centres. If the duration of learning on the job to become fully competent can be taken as an indicator of job complexity, the figures suggest that work in in-house call centres is more complex than in sub-contracted call centres.

Work Organisation and Job Design

Call centres have been characterised in extreme terms as either electronic sweatshops or as empowered workplaces of the new informational capitalism. Our data, however, shows a more complex mix of practices in respect of work organisation and job design.

Flexible job design: A much larger percentage of employees have access to flexible job descriptions and flexible work arrangements in smaller call centres (13% and 35%) than in large call centres (0% and 18%). Similarly a much larger proportion of employees were reported to be part of self-managed teams in small call centres (50%) than in large call centres (28%). The percentage of employees involved in quality circles or process/product improvement teams is slightly higher in small call centres (34%) than in large call centres. However, a larger percentage of employees had access to flexible work arrangements in in-house call centres (34%) than in sub-contracted call centres (26%). The percentage of employees with flexible job descriptions was much higher in sub-contracted call centres (28%) than in in-house call centres (5%). Similarly the percentage of employees who were part of self-managed/semi-autonomous teams in sub-contracted call centres was 59%, much higher than the 39% in in-house call centres.

Job discretion: Some studies suggest that job discretion is generally lower in sub-contracted call centres than in in-house call centres. However, in South Africa the data gathered in this survey suggests a different pattern. Instead, there is a surprising similarity between in-house and sub-contracted call centres in the extent to which core employees were reported to have discretion in their interactions with customers, including the extent to which agents use scripts, have discretion in what to say to customers, and discretion in settling customer complaints.

Monitoring and Performance

Performance monitoring is one of the key issues of both popular debate and academic research in relation to call centres worldwide.

Monitoring: Compared to the other countries surveyed, South African call centres rank amongst those with the highest degree of overall performance monitoring and feedback, on a par with Brazil and behind both South Korea and India, which has far higher levels of performance monitoring than any of the other countries. Performance monitoring occurs more intensively in sub-contracted call centres and in those that are larger in size. Although performance monitoring is frequently perceived by call centre agents as a source of stress and anxiety, the centres in the study overwhelmingly see it as a source of corrective action, both to identify training needs and to improve performance.

Performance: South Africa compares favourably to international norms in performance metrics. Across all countries, the average call centre reports that 87% of calls are answered in the target time, compared to 86,5% in South African call centres.

What difference does a union make?

One of the central issues in the South African call centre industry is the role and impact of unions.

Recognition: Overall 25% of the call centres surveyed have a recognition agreement with a trade union for collective bargaining purposes. This is lower than the international average, where 40% of call centres are covered by a collective bargaining agreement, and just over 50% have some form of collective representation.

Earnings: Core employees in non-unionised call centres earn on average R76 490, while those in unionised call centres earn on average R79 920, about 4,5% more.

Turnover: Along with the higher earnings in call centres, however, comes lower levels of attrition. Overall, unionised call centres reported an attrition rate (quits + dismissals + retirements) of only 9,0% compared to 16,9% in non-unionised centres. At the same time, workers in unionised call centres seem to have greater opportunities for career advancement, with managers in unionised call centres reporting on average that 8,4% of employees were promoted within the call centre in the previous year compared to only 4,7% in non-unionised call centres.

Training: Unionised call centres report that they provide on average 28,6 days of training for newly hired employees, compared to 23,5 days for non-unionised firms. Unionised firms seem to continue to provide more training for their core employees, with unionised firms reporting that they provide 13,8 days of formal training per year to experienced employees, compared to 12,2 days per year in non-unionised call centres.

Work Systems: Overall, the higher investment in training and the presence of unions seems to be also associated with work systems and job design that are associated with greater levels of worker autonomy. Managers in unionised call centres report that a higher percentage of employees have flexible job descriptions (15,7% vs 5,7%), have access to flexible working arrangements (45,9% vs 19,9%), are involved in quality circles and/or product improvement teams (38,8% vs 26,4%) and are working in self-managed or semi-autonomous teams (56,0%

vs 36,2%). Workers in call centres that recognise a trade union also appear to be electronically monitored somewhat less than those in non-unionised centres, with non-unionised centres reporting that 80% of core employees work time is electronically monitored, compared to 74% in unionised centres. With a more autonomous workforce, unionised call centres also are more likely to have formal systems for identifying and dealing with customer complaints.

Performance: Unionised call centres are somewhat under performing in the basic area of answering calls in a timely manner. Managers in unionised call centres reported that 83,6% of calls were answered within their target time, and that 8,1% of calls were abandoned. In contrast, managers in non unionised call centres reports that 86,3% of calls were answered in their target time, and only 4,5% of calls were abandoned

Overall, the picture that emerges from our study suggests an overall positive or neutral impact of unions, though with some areas of concern.

Conclusion

The call centre industry, and the broader business process outsourcing industry of which it is a central part, currently has a high level of visibility in South Africa. This high visibility, and high hopes for large job creation in the sector, lends increasing importance to our study of strategy, human resource practices and performance in the South African call centre industry.

In many ways, the findings of our study show that the South African industry is broadly in-line with patterns across most of the rest of the world. Call centres in South Africa are broadly in-line with patterns across the rest of the globe in terms of size, the mix of in-house and outsourced firms, ratio of inbound/outbound calls, and broadly similar patterns of work organisation and job design. Within these broad similarities between South Africa and the rest of the globe, it is important to highlight two factors that are important. First is that the vast majority of call centres in South Africa serve a domestic, not an international market. Secondly, most call centres employ only a few dozen workers, with a median international size of 49 employees and a median size in South Africa of only 24. These characteristics are important because much of the South African government policy towards promoting the call centre industry is based, either implicitly or explicitly, on trying to replicate India's success in attracting large, internationally oriented call centres. Yet in the global context, the call centre industry in India is a clear outlier, and South Africa's industry more closely resembles call centre industries in other countries, which predominantly serve a domestic market and in which large, outsourced call centres are the exception, rather than the rule.

Beyond these similarities with the rest of the world, there are a number of important differences in South Africa's call centre industry as well. There are three that we think are particularly important to highlight:

Education Levels: In South Africa, the typical call centre agent has only a matriculation certificate and only 2% typically hire agents with a University degree. Only Brazil has a lower percentage of firms typically hiring agents with a University degree. Across the world, on average, 22% of call centres rely primarily on a university-educated workforce, and in India, over 70% of centres reported that they primarily rely on college graduates. Clearly the image of call centre work being low-skilled clerical work is not in line with much of the industry.

Sub-Contractors compared to In-House: In nearly all other countries of the world, sub-contractors: use more temporary employees; provide less training; take a shorter time for new hires to become fully competent; are more likely to offer jobs with lower discretion; have higher turnover rates; and pay substantially less. In South Africa, in contrast, sub-contractors: employ fewer temporary employees; have lower attrition and turnover rates; are generally no more likely to provide jobs with little discretion; pay only marginally less; and provide only somewhat less training. Perhaps most significantly, while in most countries, sub-contracting firms are substantially larger on average than in-house firms—in most countries two to three times the average size—in South Africa, sub-contractors average only 40 employees, while in-house firms average 99 employees in our sample.

Unions: Finally, we think it is important to point out the number of centres in which the workforce is covered by collective bargaining agreement in South Africa seems to be below the global average. This is perhaps surprising, since the popular image of call centres is of a predominantly union-free environment. Some in South Africa have even gone as far as to say that unions would be "the kiss of death" for the call centre industry. While it is true that in most countries, a majority of call centres remain non-unionised, a full 40% of centres in our global study are covered by a collective bargaining agreement, and only 25% of centres in South Africa our covered by a collective bargaining agreement. Our analysis of job quality, human resource practices, and performance in unionised call centres compared to non-unionised call centres, both in South Africa and in the global study, suggest that the existence of a union does not, as often assumed, result in significantly poorer performance and in most cases contributes to higher levels of discretion, a more empowered workforce and substantially lower levels of turnover, a major source of cost savings.

I. Introduction

This South Africa call centre report forms part of the first large scale survey of management strategies and employment practices in the global call centre industry[1]. The call centre industry has grown dramatically over the last decade, as advances in information technology and the decline in costs of communications and data transmission have made it easier for firms in many industries to provide customer services and sales from cost-effective, geographically distant, technology-mediated centres. The global study (Holman *et al*, 2007), covers almost 2 500 call centre sites in 17 countries, and provides a detailed account of similarities and differences in scope, operations, management strategies and employment practices across widely different contexts.

In this report, we present the results of the survey that was conducted in South Africa. A total of 64 companies, with a workforce of nearly 5 600, agreed to participate in the survey. The companies were identified from a database of over 1000 call centre contacts provided by Rod Jones Strategic Solutions, and through the membership of the Cell Centre Networking Group of South Africa. The surveys were conducted primarily in 2003 and 2004. These companies agreed to provide a wide range of detailed information on their operations, including: background information on each call centre, their employees, payment systems, customers, business strategies, training programmes, human resource practices, use of technology, performance monitoring, job design, and customer satisfaction. While the companies that participated are only a sub-set of the burgeoning business process outsourcing, call and contact centre industry in the country, we believe they are broadly representative of the overall call centre industry, and the detailed information they provided offers a unique understanding of employment practices and business strategies in South African call centres. The insights in this report are also informed by over 50 interviews of one-hour or more conducted with call centre managers throughout the country, and by a series of detailed case studies, of which three had been completed by the time the report was written.

The growth of call centres in South Africa has been somewhat controversial. On the one hand, national government and regional economic development agencies see call centres as a valuable source of jobs and economic development in a labour intensive industry. Firms and companies see remote, technology mediated call centres as a cost effective way of providing services and sales to customers at a distance. Similarly, customers may gain from new or lower cost services. On the other hand, consumers often complain about low quality service in at least some call centres, while unions and some analysts express concern about stressful working conditions.

In this report we try to address these concerns. We examine such questions as:

●What is the racial and gender composition of the workforce?

●What are the pay levels and compensation strategies for employees and managers?

●How much training is provided?

●What employment practices contribute to lower turnover and absenteeism?

●What effects to unions have on call centre practices?

●Finally, how do these call centre management practices differ between different types and

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[1] Initiated in 2004, the Global Call Center Project involves the collaboration of more than 40 academic researchers across some 20 countries. See www.globalcallcenter.org for more information.
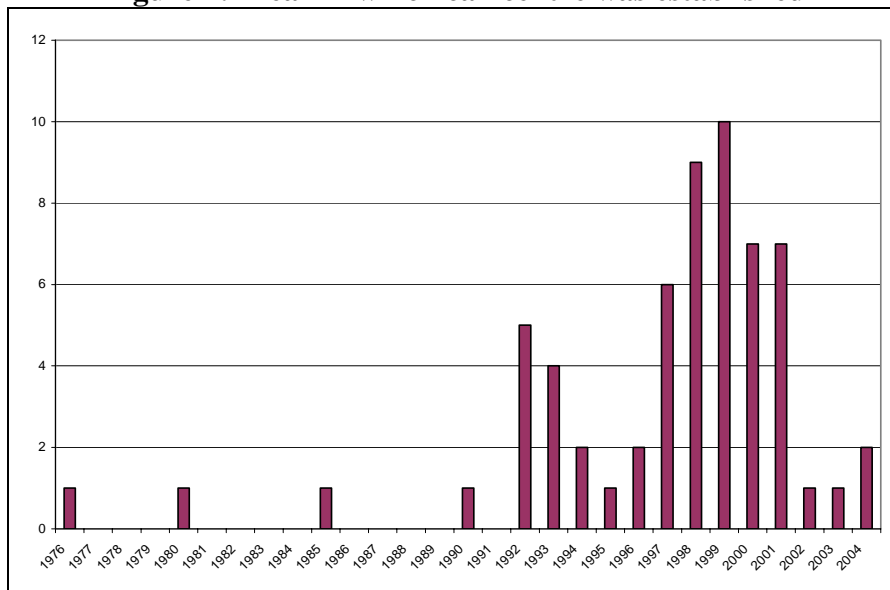
sizes of call centres?

Throughout the report we particularly focus on the differences between in-house and outsourced centres, and centres that are larger than 50 employees compared to smaller centres. We also discuss how these patterns in South Africa compare to global patterns, as discussed in the Global Call Centre Report (Holman *et al*. 2007).

II. Background information on Call Centres in Survey

The first call centres in South Africa began to appear in the 1970s, though it was only in the late 1990s that the combination of improved computer technology and reduced telecommunications costs contributed to a rapid growth in call centres. More recently, call centres have been widely punted by an informal coalition of stakeholders with overlapping interests, ranging from trade unions, through provincial development agencies, to national government. For instance the 2002 ICT sector summit produced an endorsement by business, labour and government of call centres as an investment focus for "labour absorbing activities" (NEDLAC, 2002, p12). Recent years have seen a mushrooming of provincially-based bodies established to promote the establishment of such centres, often specifically targeting international outsourcing activities. These include Calling the Cape, Contact in Gauteng, and KZNonSource, amongst others, now under the national umbrella of Business Process enabling South Africa[2]. More recently, government launched a multi-million rand business process outsourcing support programme (DTI, 2007).

Although this survey predates much of the more recent activity, as Figure 1 shows, the oldest call centre in our survey was established in 1976, but there was a burst in call centre creation in the early 1990s, and another major growth right around 1999. The average age of call centres in the sample is just under 9 years (as of 2007), making the sample somewhat older than the average of 8 years in the global study. The apparent tailing off in numbers after 2001 is more likely due to the age of the database used for the sampling than because of any decline in the rate of call centre establishments.

**Figure 1: Year in which call centre was established**

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[2] See, respectively, http://www.callingthecape.org, http://www.callcentres.co.za/, http://www.kznonsource.co.za, and http://www.bpesa.org.za for more information.

The popular image of call centres involves agents in one country that typically has lower labour costs, serving customers in the U.S. or Europe. Thus, international observers often see India as the prototypical country for call centre industries in the developing world. Our global call centre study, however, demonstrates that India is almost unique in the extent to which its call centre industry serves an international market. The South African call centre industry, by contrast to this stereotype, developed more similarly to most countries of the world, emerging first to serve a domestic market. It is only in the last few years that the number of call centres serving primarily an international market has begun to increase. In our survey, only 9% of call centres primarily served an international market (see Figure 2). This is not out of line with recent figures for South Africa from BPeSA, whose recent survey (BPeSA, 2006, p18) of business process outsourcers, while not providing a breakdown by centres, counts 4 500 agents out of a national total of between 80 000 and 90 000 (or somewhat over 5%) as serving exclusively international customers. But it does put South Africa below the global average of 14%, and still far behind countries like India where some 73% of call centres serve international clients (Holman *et al*, 2007, p 5).

Most call centres in South Africa serve the national market, while a small percentages serve local (14%) or regional (5%) markets. These local or regional centres tend to be smaller firms with in-house call centres, serving clients in their immediate area. The call centre industry in South Africa, therefore, is a mature one, serving primarily the domestic market.

Figure 2: Primary Market Served by Call Centre
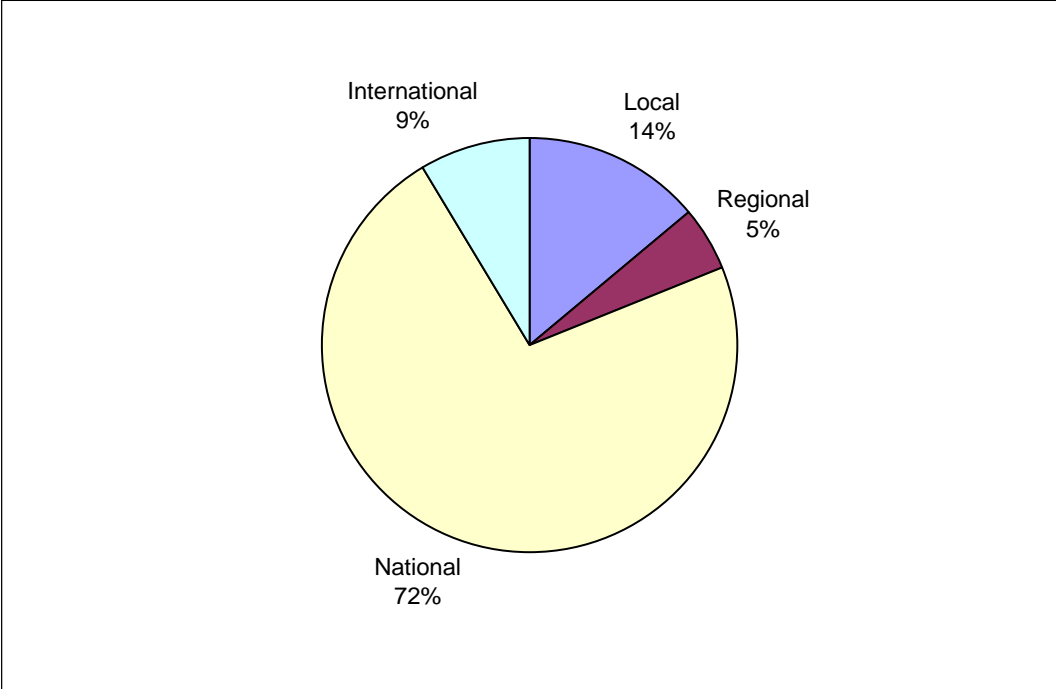
Call centre activity in South Africa is largely located in the major economic hubs of the country, with the country's economic heartland of Gauteng and scenic Cape Town being the major foci of activity. In our survey, a total of nearly 51% of firms were located in Gauteng province (see figure 3). The Western Cape was the second largest site, with 38% of firms, and another 8% were in Durban. How does this distribution of companies in our survey compare with the overall industry? According to available data, it appears that our survey

respondents may be over-represented in the Western Cape.   Mitial Research (2002), for instance, in a study of the South African industry conducted two years earlier found that, out of 410 call centres in their study, 63% were located in Gauteng, and only 15% in Cape Town, with another 8% in Durban. In the database of call centres in the country provided to us by Rod Jones Strategic Solutions, of the 740 call centres with an identifiable location, 69% were in Gauteng, 23% in Cape Town and 5% were in Durban.

Figure 3: Location of call centre
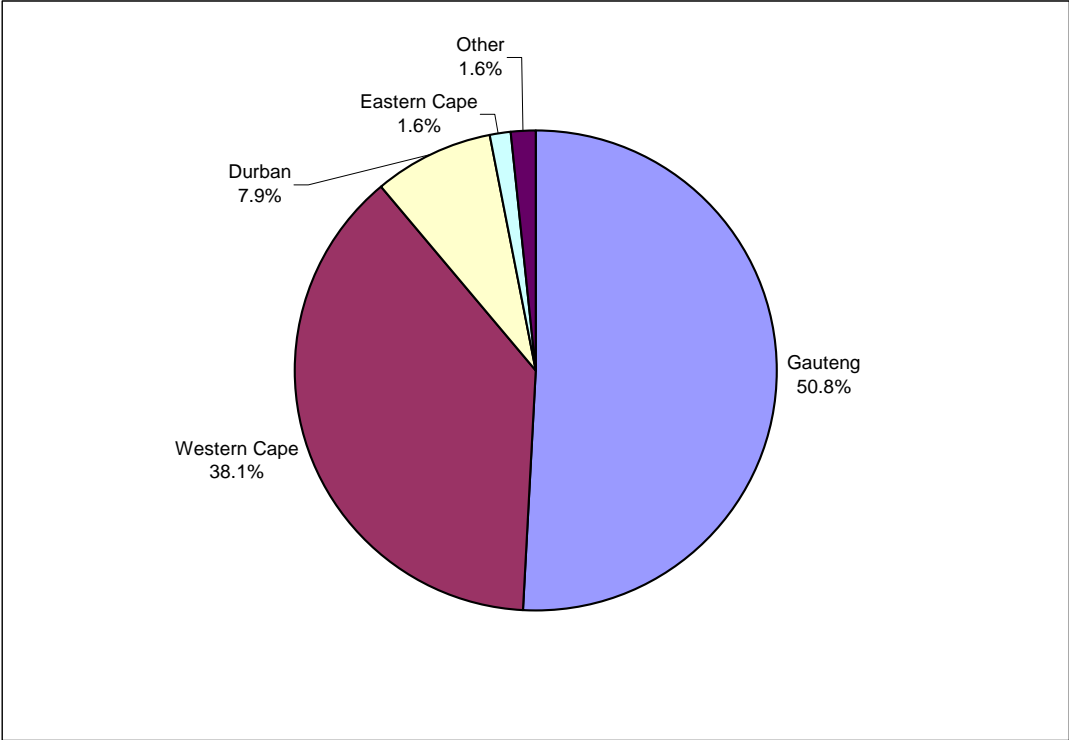
One of the most important distinctions in types of call centres is between those that are run 'in-house' or on a 'captive' basis versus those that are run as 'out-sourced' or 'service provider' centres. In-house centres are simply a separate unit within a larger firm focusing on other core business, including retail and manufacturing as well as the more common financial services and telecommunications.   Out-sourced call centres are run by firms that specialise in providing these customer relationship and interface services for other external clients.   In interviews with call centre managers of out-sourced firms in the country, we heard complaints that it was difficult to find business amongst South African firms, since most South African firms were hesitant to outsource this critical customer relationship function. Indeed, 25% of all the sub-contractor call centres in our survey primarily served an international market, rather than South African. A total of 19% of centres in our survey were outsourced (see figure 4). This compares with 17% in the United States, but is below the global average of 33% and well below the 80% of sub-contractor centres reported in India (Holman *et al*, 2007, pp 4-5).

Figure 4: In house or Sub-contracted Call centre
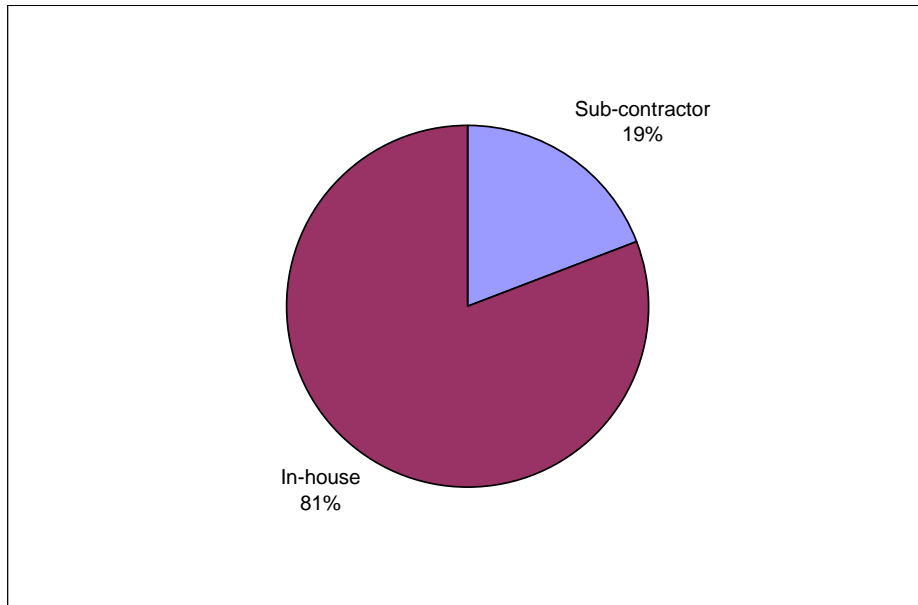
Another important distinction in call centre operation is the size of the call centre itself. Call centres range in size from small operations with a handful of agents to large sites with over 1 000 employees. In our survey, the *median* size of call centres (half of call centres are smaller and half are bigger) reflected a site with a total of 25 agents, and 32 employees, when counting all managers, team leaders and agents (see figure 5). The *average* number of total employees, however, is much larger. Including both full-time and part time, the average call centre has a total of 77 agents employed and 86 total employees, including all supervisors, team leaders and managers.

Figure 5: Size of call centre, by total number of customer contact employees
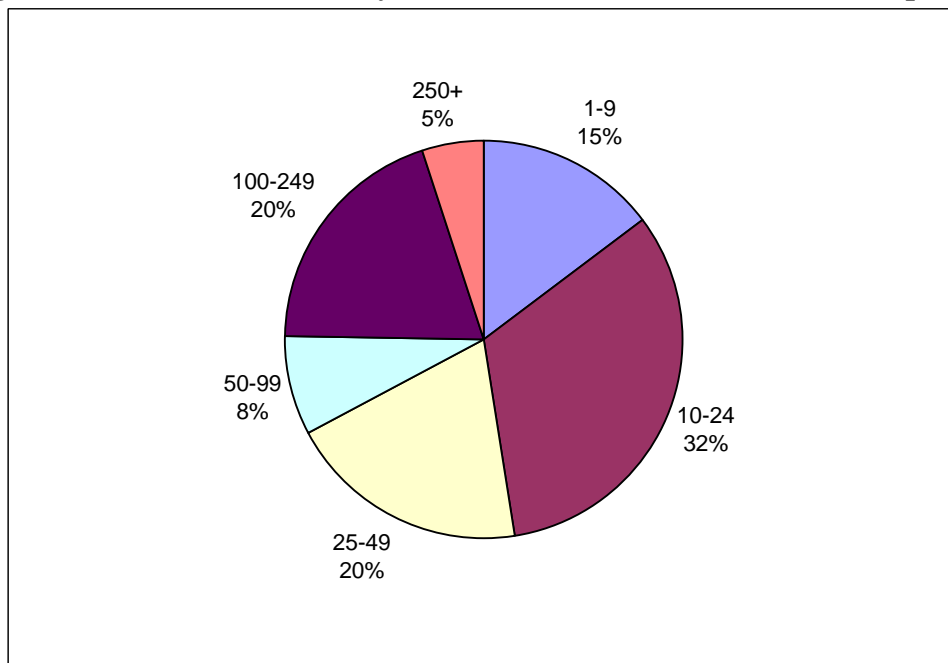
Total employment in the call centre industry, however, is dominated by the few larger centres. In our survey, for example, of the 4 912 call centre agents identified by survey respondents, 54% worked in firms with more than 200 agents, and 24% worked in firms larger than 1 000 agents. Only 10% of agents worked in firms with fewer than 30 agent employees. Thus, when looking at the size of call centres from the perspective of call centre employees, typical working conditions are those that prevail in the large centres.

This pattern is not vastly different from the global picture, where the typical call centre has a staff of 49, whereas the overwhelming majority of call centre agents work at sites with 230 employees or more (Holman *et al*, 2007, p vi).

These two characteristics of call centres — their total size and whether they are run in-house or on a sub-contractor basis — typically are very important factors in shaping human resource practices, use of technology, and performance. Thus, wherever possible in analysing our survey, we present results based on whether call centres are in-house or sub-contracted, and whether they have more or less than 50 employees.

Figure 6 below shows the primary industry served by call centres in our survey. It shows that call centres operate in a wide-range of industries, including retail, manufacturing, and the travel industry. But the largest proportion of call centres is in insurance, banking and other financial services, and in the telecommunications industry. In this respect the South Africa call centre industry is atypical: only India has a higher proportion of centres in banking and telecommunications (Holman *et al*, 2007, p7).

Figure 6: Primary industry served by call centre
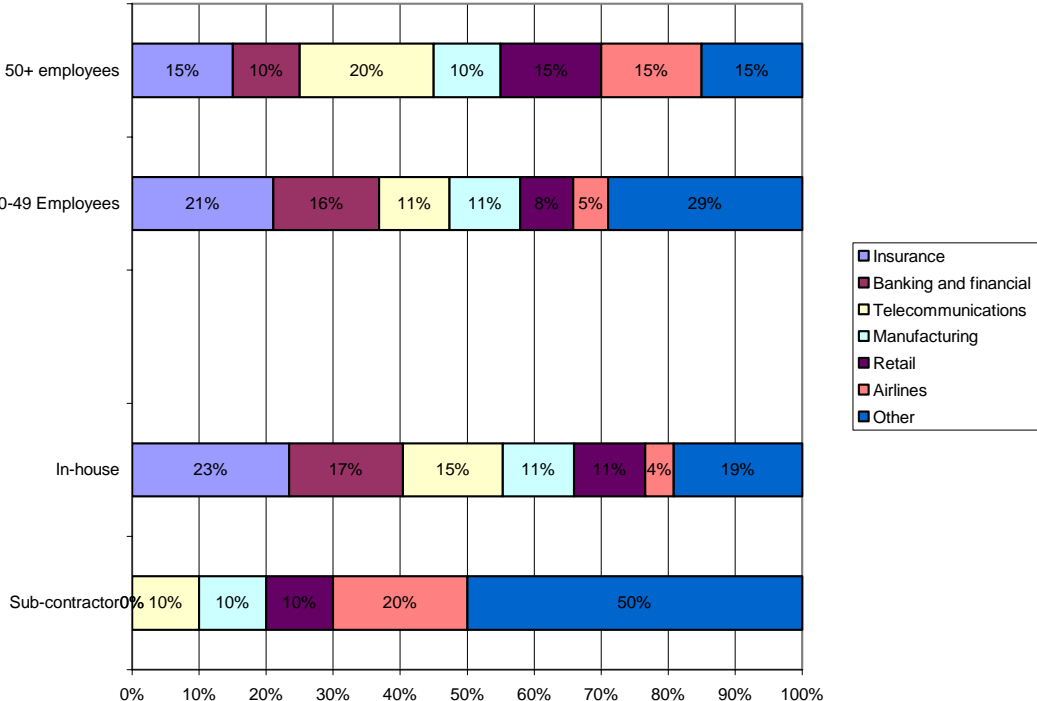
Of the outsourcing firms in our survey, the largest portion (20%) worked primarily in the airline industry, while the rest were spread across a wide range of other industries, including telecommunications, manufacturing and retail. It is interesting to note that none of the outsourcing firms in our survey worked predominantly in insurance, or in banking and

financial services. In our interviews with managers of outsourced call centres, we were told that banks and insurance companies in South Africa are hesitant to consider outsourcing their call centre operations out of concern for the integrity of their customers' data.

The majority of call centres in the South African survey handle inbound calls (78%), typically responding to customer service requests or taking orders for products and services. Only a minority of call centres (22%) are involved in outbound calling, marketing goods and services to new customers (see Figure 7 below). This puts South Africa on a par with the global norm, where 79% of call centres predominantly handled inbound calls, and 21% predominantly handled outbound calls. Only in the case of India does the volume of outbound calling exceed inbound traffic (Holman *et al*, 2007, p8).

**Figure 7: Largest volume of calls, in-bound or outbound?**
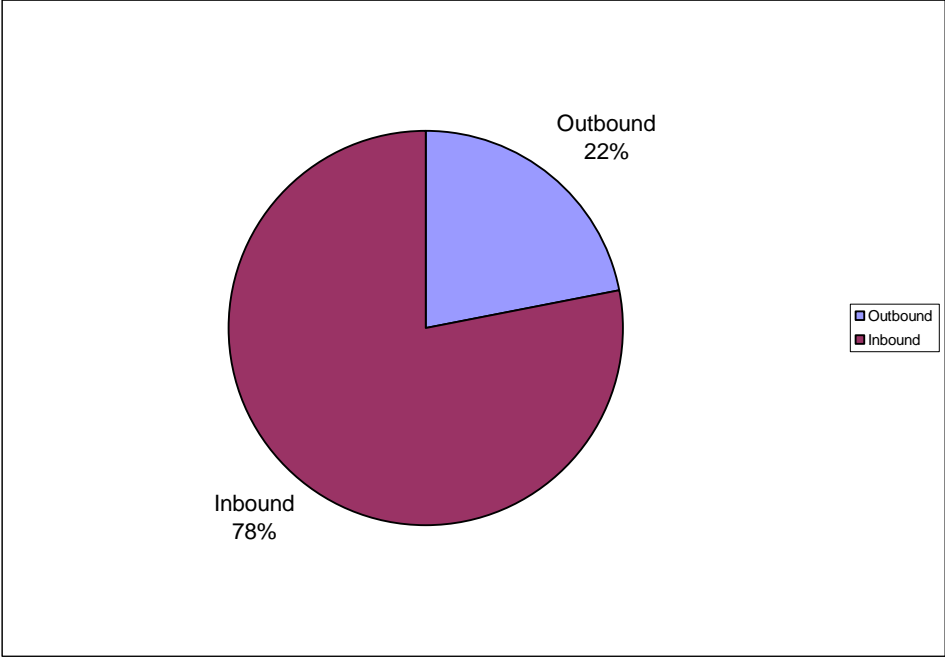
Amongst smaller firms, a full 50% conduct customer service only, while in larger firms a full 40% conduct customer service only. Many call centres also provide sales opportunities over the phone, while only a small percentage, ranging from 4-8%, primarily are conducting prospecting and marketing in their call centres. Perhaps unsurprisingly, outsourced call centres have the highest proportion focused primarily on prospecting and marketing, but even here it is only 8% of outsourced firms (see figure 8).

Figure 8: Type of customer interaction that makes up the largest volume of business
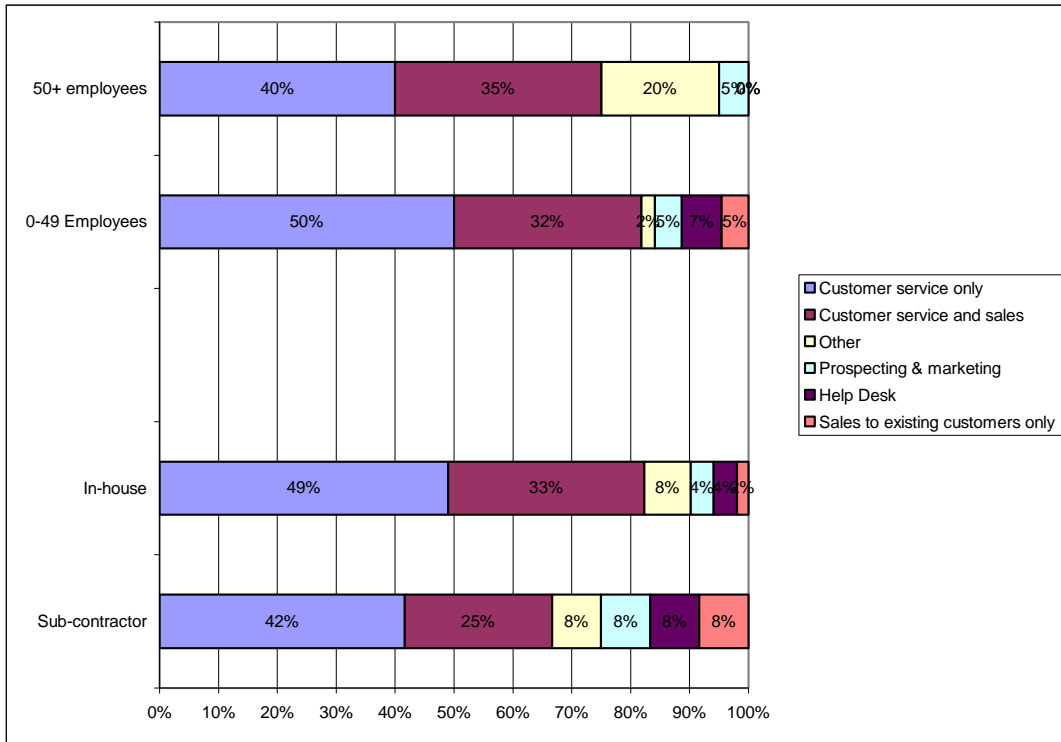
In our sample, 17% of call centres said that they primarily serve only large business. Only 5% said that the primarily serve small business customers, or only high margin mass market customers. The vast majority of call centres, totally 78%, serve a general mass market or all sectors, including both business and individual customers (see Figure 9).

**Figure 9: Primary Customer Segment Served by Call Centre**
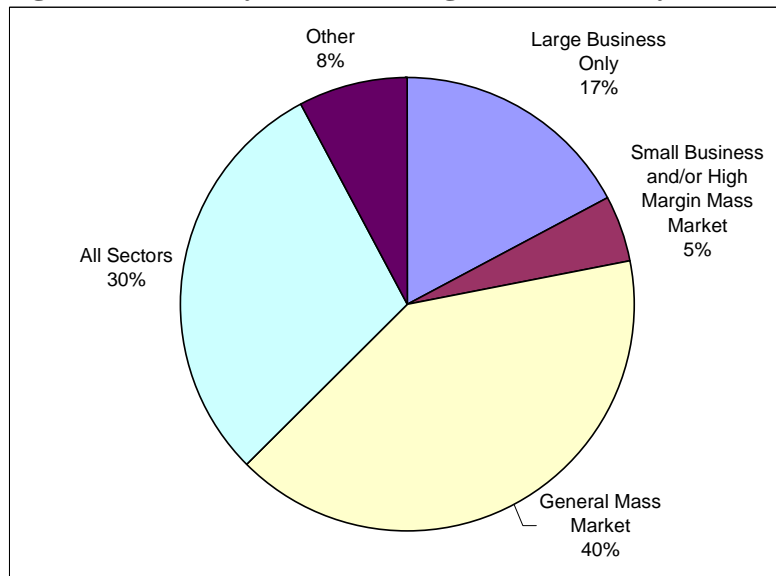
The picture that emerges from this review of the general characteristics of call centres in South Africa is of an industry that is dominated by centres serving a domestic market and primarily in-bound customer service calls. These patterns are quite similar to call centres in the other countries examined in the Global Call Centre Survey. South Africa has a somewhat higher proportion of call centres operating in-house than in most countries.

We now turn to an examination of the employees and employment conditions in South African call centres.

III. Call Centre Employees

Our survey is the first comprehensive effort to document the racial composition of call centre employees in the country. Figure 10 provides a detailed breakdown by race and gender of core employees (call centre agents), team leaders and managers in call centres in our survey, and compares this with the overall race and gender composition of the total population of South Africa according to the mid-year 2006 population estimates from Stats SA (2006). These figures show that Africans are still highly under-represented in the industry, particularly at higher levels in call centres. Overall, 79% of the country's population is African, but only 27% of agents, 18% of team leaders, and 7% of managers are African. It appears that the coloured population and white population are significantly over represented in call centres. Overall while the coloured population makes up 9% of the total population, they comprise 35% of core workers, 33% of team leaders, and 22% of managers in our survey. Some of this over-representation of the coloured population in our survey is accounted for by the somewhat higher proportion of Cape Town based call centres in our survey, since the coloured population of South African disproportionately lives in the Western Cape. However, even when looking just at call centres in Gauteng, the coloured population comprises 28% of core workers, 19% of team leaders, and 11% of managers. The white population, which comprises only 10% of the total population, make up 26% of core workers, 37% of team leaders, and 61% of managers.

Figure 10: Race and Gender by Occupational Category

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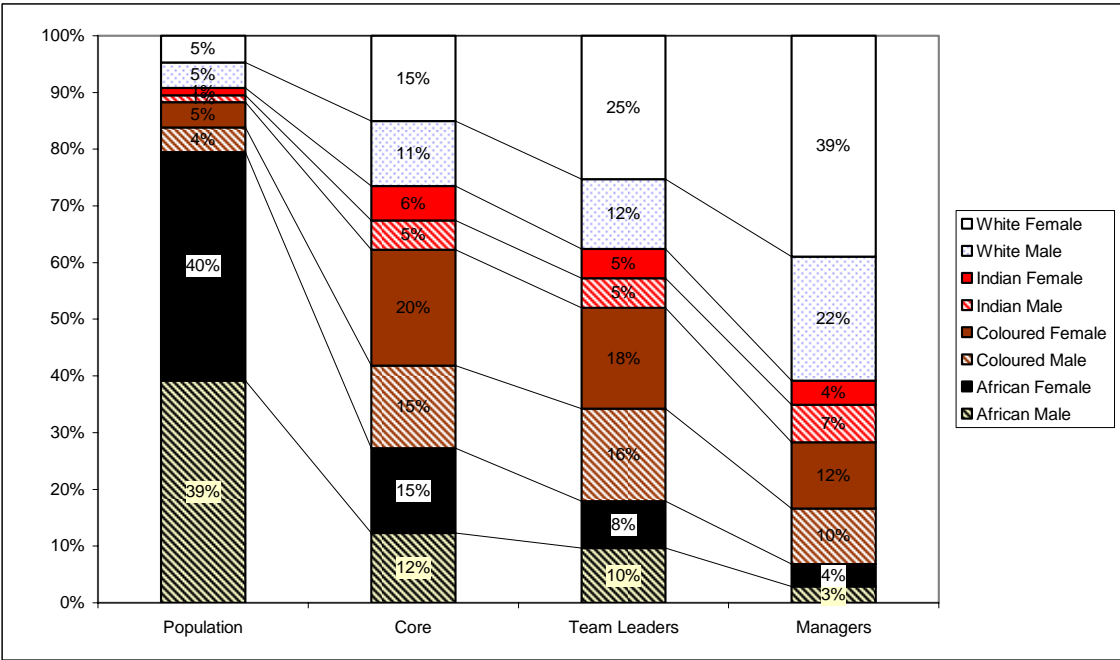
In terms of gender, overall, the percent of the workforce that is female is consistent across all three occupational categories, with 57% of core agents, 57% of team leaders, and 59% of managers female. Still in a significant sub-sector of call centre, women are the predominant workforce, with 26% of firms saying that over 75% of their workforce was female (compared to only 6% who said that men made up over 75% of their workforce). White women seem to be particularly over represented at team leader and management levels in the industry, with white women comprising nearly 40% of all managers.

Our survey was not designed to capture information on the educational levels of individual call centre employees, but we did ask managers in the survey about the typical education level of core employees in their centre. In the vast majority (84%) of call centres, core agents typically have a matric certificate.. In only 3% of call centres did core employees typically have less than a matric. In 13% of call centres typical core employees had more than a matric certificate — either a technical degree or certificate, or a University degree (see figure 11). These figures are somewhat less than in other countries. Across the world, on average, 22% of call centres rely primarily on a university-educated workforce, and in India, over 70% of centres reported that they primarily rely on college graduates.

Figure 11: Educational level of core employees
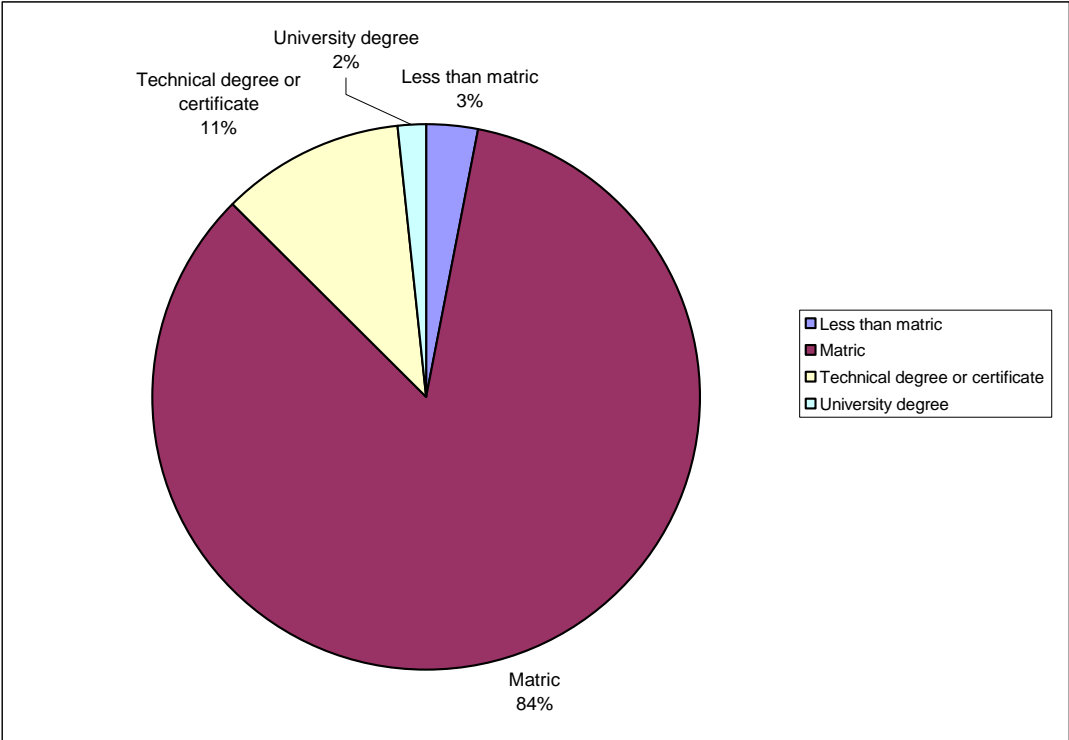
IV. Employment Conditions and Practices

The average earnings in all call centres in South Africa for core employees in 2004 was R76 800 a year. Average earnings, however, differ significantly depending on the type of call centre and the industry in which it is located. Call centres which employ fewer than 50 employees pay significantly more than larger call centres, averaging R80 600 per year, compared to R67 300 in smaller centres. In-house call centres on average pay more than sub-contracted centres, R78 100 versus R73 100 (see figure 12).

Figure 12: Typical Earnings of Core Employees, 2004

	Rand
50+ employees	R 67,313
0-49 Employees	R 80,614
In-house	R 78,119
Sub-contractor	R 73,119
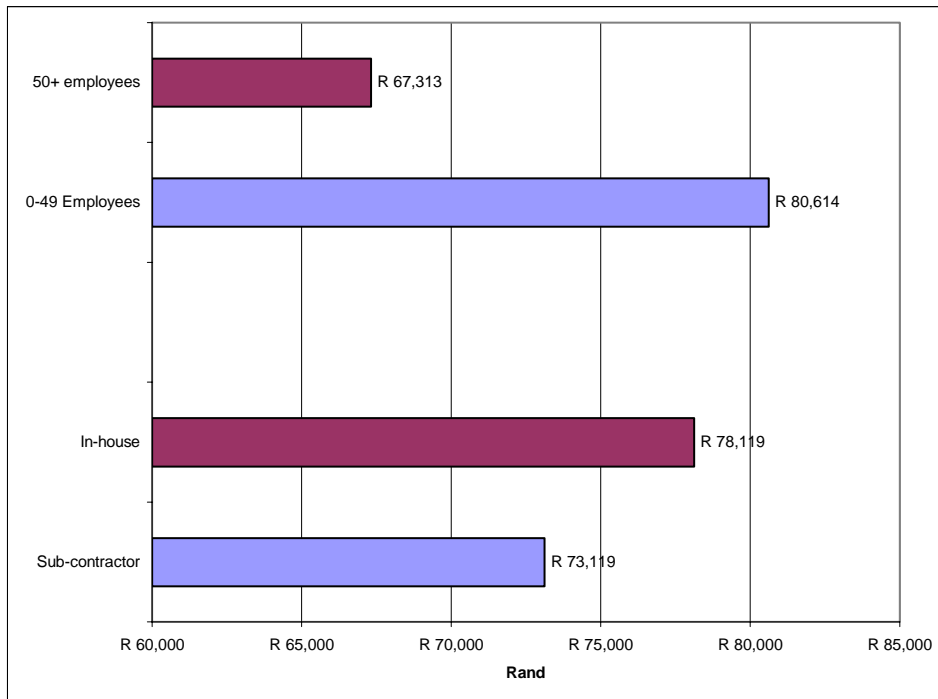
The earnings differential by industry is even higher than type of call centre. At the high end, call centres in manufacturing in our survey paid an average of R97 250 a year to core employees. In the telecommunications industry, in contrast, core call centre agents were paid an average of R58 800 (see figure 13).

Figure 13: Typical Earnings of Core Employees by Industry

| Industry	Earnings
Manufacturing	R 97,250
Insurance	R 92,222
Other	R 80,908
Airlines	R 74,801
Banking and financial	R 72,142
Retail	R 63,801
Telecommunications	R 58,800
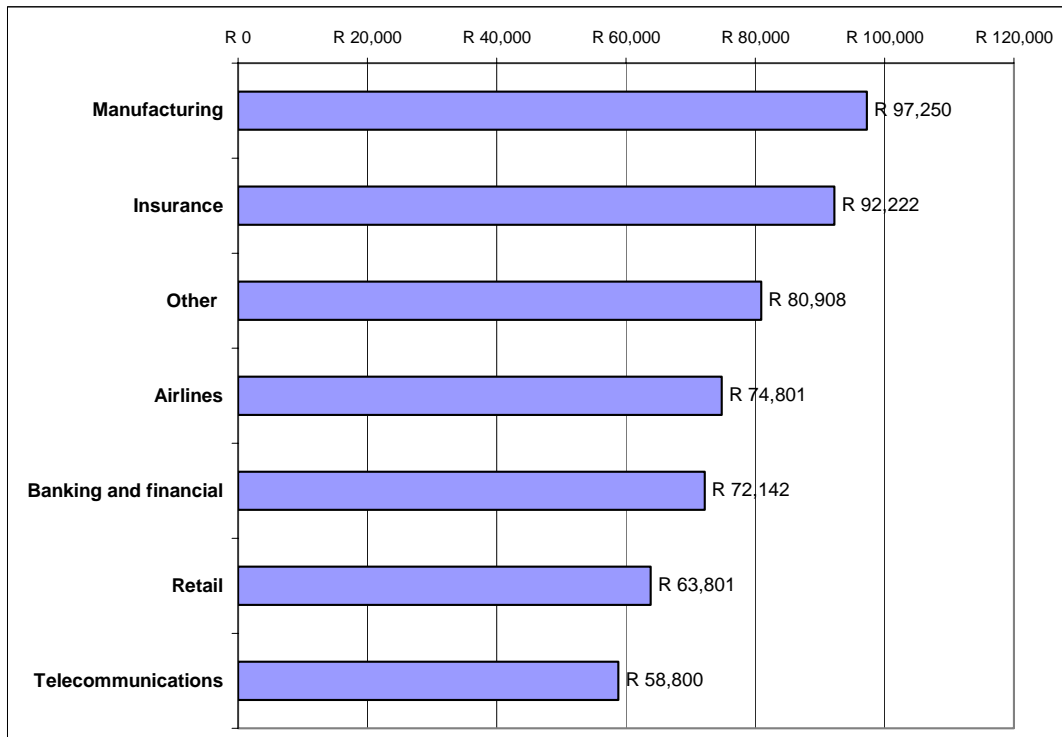
On average, managers report that total labour costs (including wages, benefits, and statutory payment) account for 59,5% of their total costs. This figure is lower than reported costs in advanced industrial countries (70%) and quite similar to the 57% average in all industrialising countries in the survey (Holman, *et al,* 2007).

According to Stats SA, the average earnings in 2004 for employees in formal, non-agricultural industries was R6 887 per month, or R82 644 a year (Stats SA 2007). Thus, on average jobs in the call centre industry paid slightly less than the average of all formal sector employment.

One of the most important factors in considering employment conditions in call centres is the rate of attritions. In general, attrition rates in South African call centres are low by international standards, with call centres reporting an average quit rate of 10,3%. A full 28% of call centres reported that in the previous year none of the core employees quit, and another 20% reported that only 1-4 percent of their core employees quit in the previous year (see Figure 14).

Figure 14: Call Centres by % of employees who quit in previous year
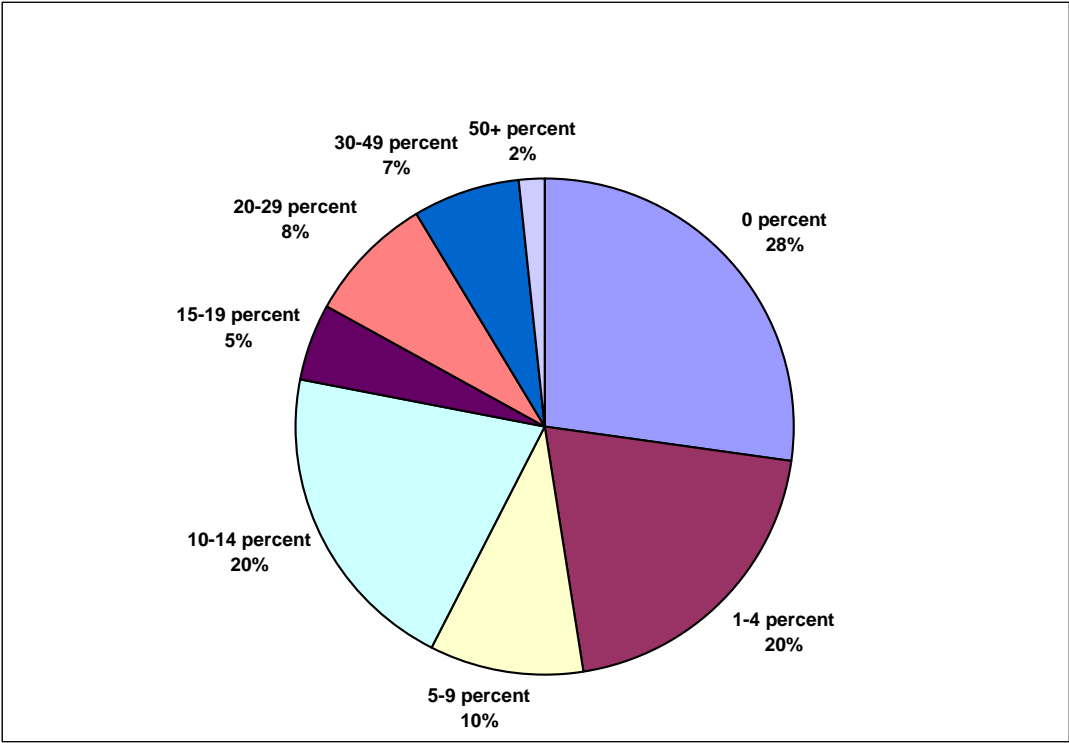

Attrition can come about from employees quitting, being dismissed or retiring. The total average attrition rate across all call centres is 16%. Attrition rates vary quite significantly by type of call centre however. In South Africa, attrition rates within sub-contracted call centres are significantly below the rates within in-house call centres—9,4% compared to 17,7%. This pattern is exactly the opposite of most countries, where attrition rates in sub-contracted centres are typically significantly higher than in in-house centre. Attrition rates in smaller centres in South Africa are also less than in the larger centres (see figure 15).

Figure 15: Total attrition
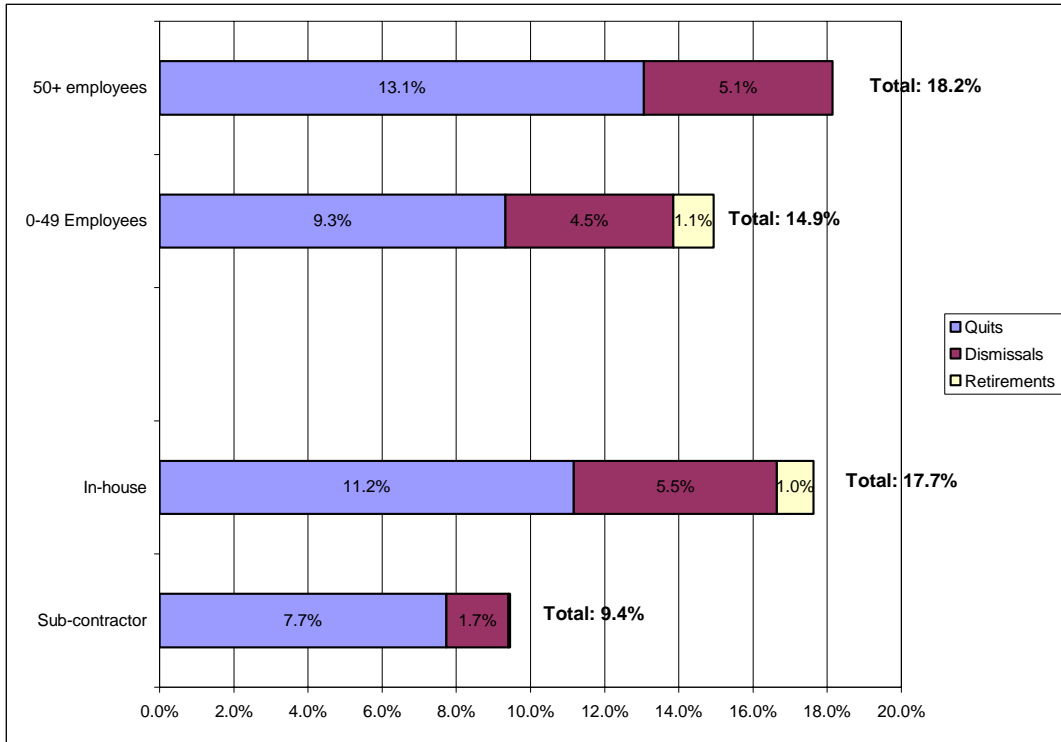
As a result of these differential patterns in attrition between in-house and out-sourced firms, the typical tenure of core employees in sub-contracted centres is reported to be higher than in in-house centre by approximately 8 months (3,6 years compared to 2,9 years) (See figure 16). Similarly, employees in small-centres are likely to have been there longer than employees in large centres, by a full 11 months (3,3 years compared to 2,4 years). Still, the low overall tenure levels is reflective of the newness of the industry.

**Figure 16: Typical Tenure of Core Employees**

21
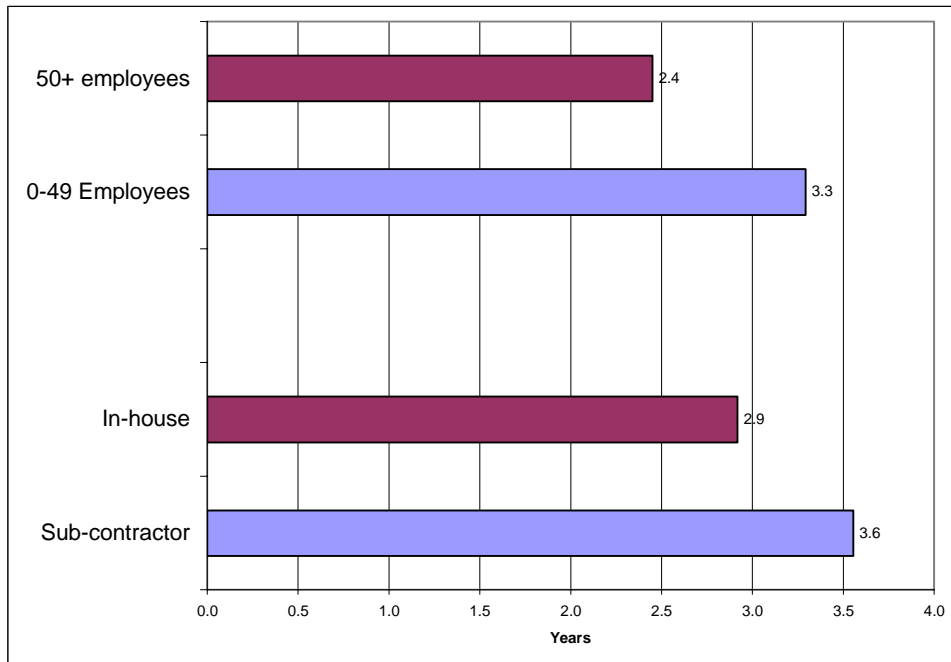
For many employees, positions as agents in call centres are considered entry level positions, with many people hoping to use that as a stepping stone to more advanced employment opportunities, either within the call centre or elsewhere in the company or industry. Our survey asked managers what percentage of core employees in their call centre were promoted, either to other jobs within the call centre or to other positions in the business outside the call centre. On average, 5,3% of employees were promoted within the call centre, and 5,8% were promoted outside the call centre in the previous year. But again, these figures varied by type of call centre. Smaller call centres and in-house call centres reported higher levels of promotion, both internally to the call centre as well as to other parts of the business (see figure 17).

**Figure 17: Total Promotions in Previous Year**
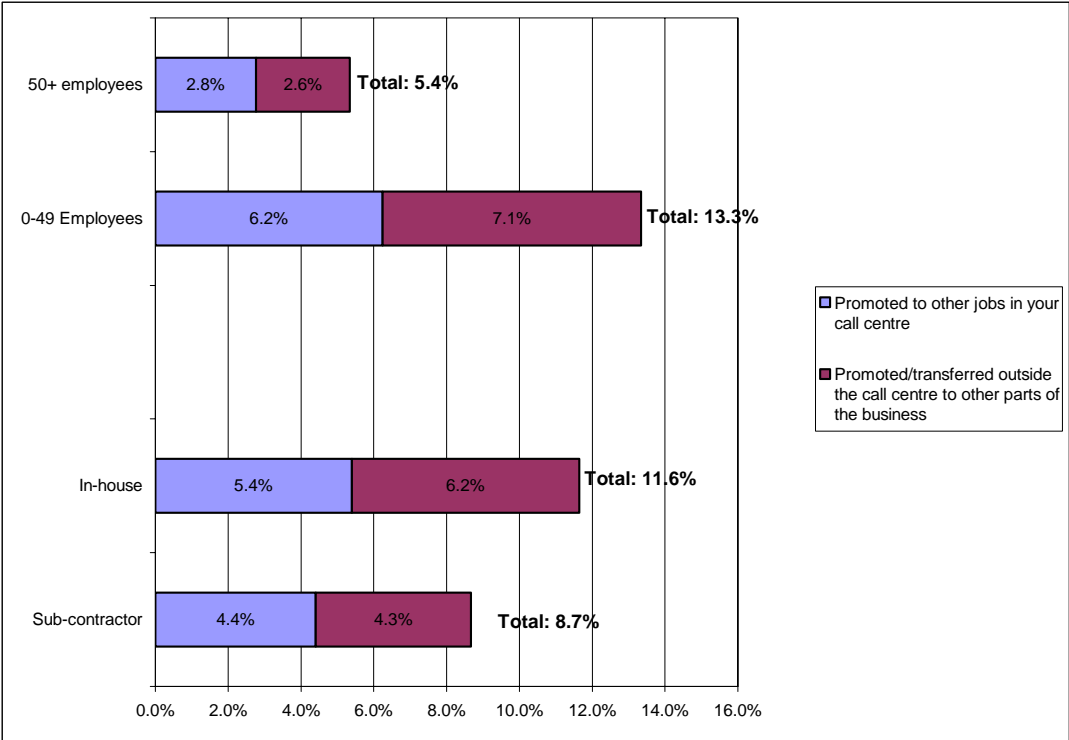
Every time a core call centre employee leaves their position—either through being promoted or through leaving the firm—call centres face significant costs to recruit, screen and train someone to replace that lost employee. On average, call centres reported that it cost them R17, 264 to recruit, screen and train each new employee (see figure 18). The figure is significantly higher, though, amongst in-house firms, who reported an average cost of R18, 538. Small call centres also reported higher costs than large call centres, R18 125 compared to R15, 200. These differences are probably attributable to two major factors. Larger firms and in-house firms both reported providing more training to their new employees (see figure 20 below). It is also likely that larger firms are able to realise significant economies of scale in their recruitment and screening efforts, compared to smaller firms. Similarly, sub-contracted call centres likely are able to realise cost reductions due to specialising in recruiting call centre agents.

Figure 18: Cost to Recruit, Screen and Train Each New Employee
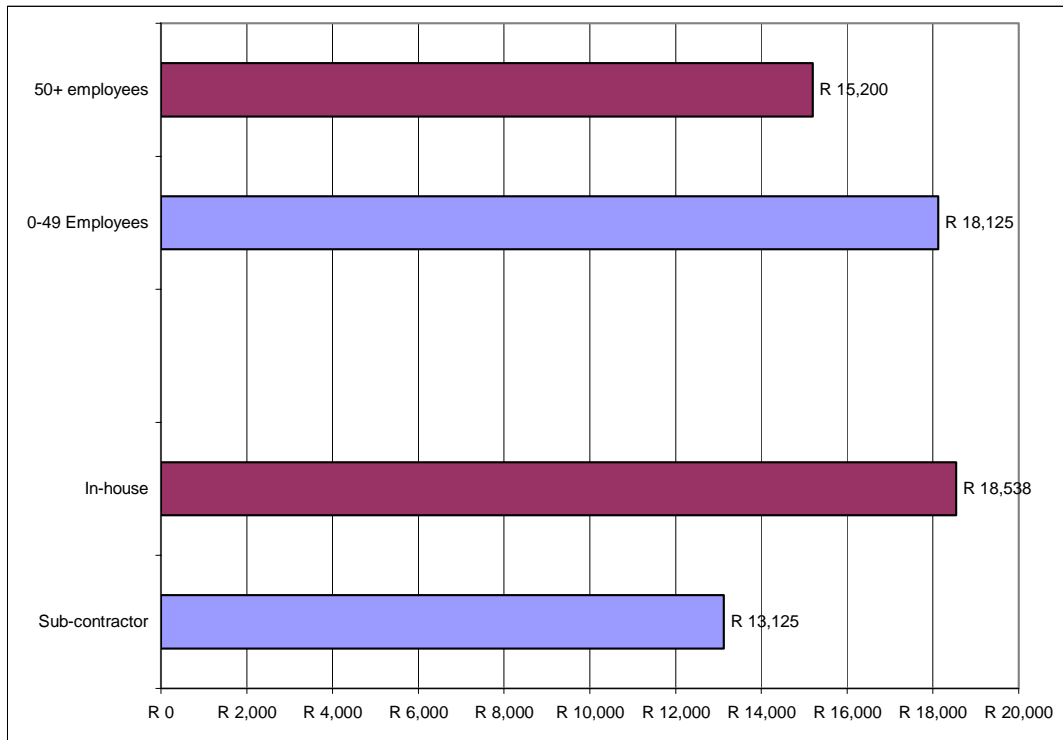
The unpredictability of call volumes, along with efforts to cut costs, leads many call centres to hire temporary employees. In many other countries of the world, sub-contractors tend to be more likely to hire temporary employees, since their work load is typically more subject to fluctuations in contract agreements. This pattern is not found in South Africa, however. Here, 45% of sub-contractor firms reported using temporary employees, compared to 57% of in-house firms (see figure 19).   There is little difference between small and large firms in their likelihood to use temporary workers.

**Figure 19: Employ any temporary workers?**
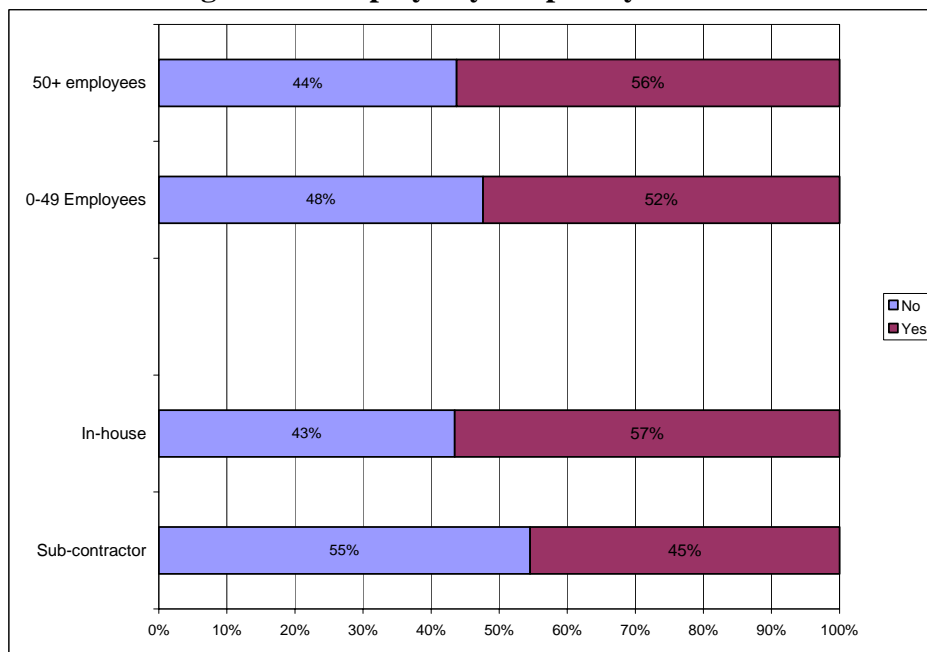
V. Training and Development

Employer investment in training is an important component of building a qualified workforce. In recent years, the Services SETA has developed standards for certifying skill levels of call centre workers, but there are still few external training programmes to train call centre workers. Thus, beyond general skills, call centre agents gain most of their skills through formal training and learning on the job. Thus, in addition to being an indicator of an employer's level of commitment to building a skilled workforce, the amount of training conducted in a call centre is often an important indicator of the complexity of the work being performed. We also asked managers how long it typically takes a new hire to become fully competent on the job, another good indicator of the complexity of the work involved.

In sub-contracted call centres investment in training appears to be lower than in in-house call centres as measured by the number of days of formal training provided to core employees. As shown in Figure 20 the number of days of formal training provided to core workers in sub-contracted call centres is 17,4 days, while in-house call centres on average provide 26,5 days of initial training. However, once employees have completed their initial training, there is little difference in the continued training given to experienced employees. Formal training for experienced employees in sub-contracted call centres average 12,1 days per year, while in-house call centres provide an average of 13 days.

Training also seems to be slightly more prevalent in small call centres rather than large ones. Call centres with less than 50 employees provide 25,7 days of training to new employees, slightly more than the 23,4 days of training provided on average by call centres with more than 50 employees. Similarly the number of days of formal training provided to experienced employees averages 12,9 days in small call centres, slightly higher than the 12,7 days in large call centres.

Figure 20: Formal Training Provided to Core Employees

24
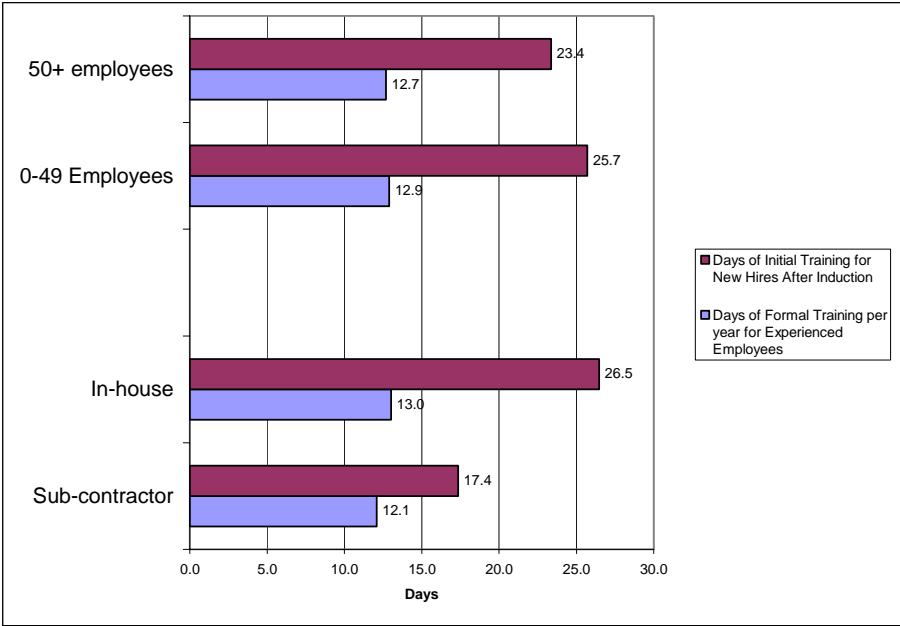
The time it takes for new hires to become fully competent is also lower in sub-contracted centres than those operating in-house. In-house call centres reported that it takes an average of 18 weeks for employees to become fully competent, compared to 12 weeks in sub-contracted call centres. It also shows that in a small call centres it takes an average of 18 weeks to become fully competent compared to 15 in large call centres.

Figure 21: Weeks to become fully competent
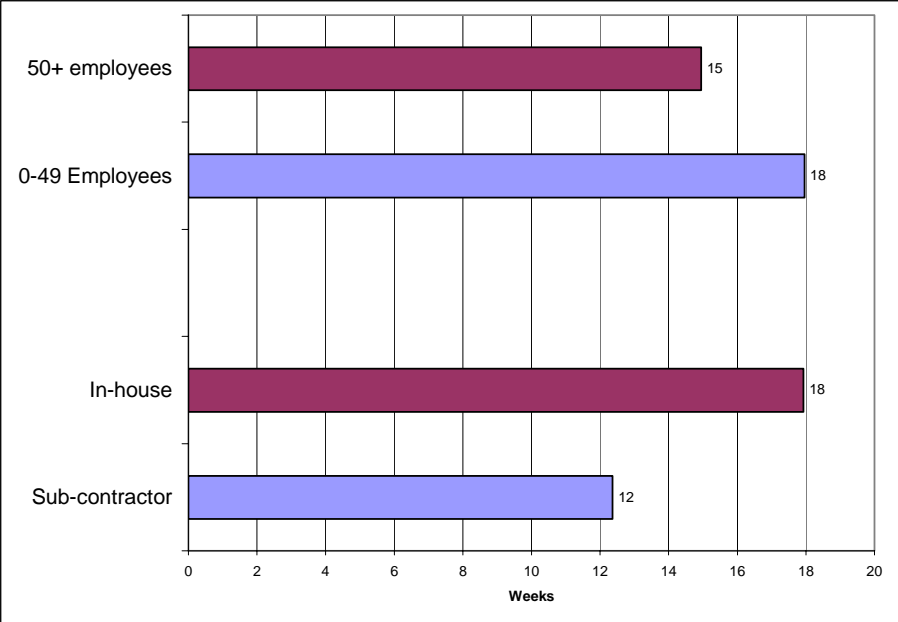
Thus, if the duration of training on the job to become fully competent can be taken as an indicator of relative job complexity, the figures suggest that work in in-house call centres is typically more complex than in sub-contracted call centres, while work in small call centres is typically slightly more complex than in large call centres.

When compared with other countries in the Global Call Centre Survey, however, the level of training in South African call centres seems to be higher and managers report that it takes longer for agents to become fully competent than their counterparts in other countries. Globally, newly-hired workers typically receive 15 days of initial training, while in South Africa the average is 25 days. There is a wide range of variation in average time it takes for new hires to become fully competent, from a low of 4 weeks in Israel to 25 weeks in Ireland, but the average in liberal market economies is 16, in coordinated economies 8 and in industrialising economies it is 12, while the equivalent figure in South Africa is 17 weeks. This high level of training and time to become fully competent in South Africa compared to other countries is most likely a reflection of the fact that the basic education level of South African agents is less than in most other countries, where a higher proportion of call centre agents have a university degree.

VI. Work Organisation & Job Design

Work organisation in call centres can be a controversial subject. The existence of computerised technologies allows for high levels of standardisation and scripting of texts. This may increase the efficiency of call centres but can also lead to high levels of stress amongst workers who are subject of high levels of routinisation and repetition. Yet not all

call centres are organised with such high levels of routinisation. Some centres provide higher levels of discretion to their agents, allowing individual agents to take their own initiative in providing customer services. Clearly the diversity of work organisation practices points to the need for nuanced analyses of the complexities of actual management practices.

In our study we looked at a range of factors related to work organisation and job design. This includes flexibility in job descriptions and work arrangements (including flexible work times), the use of semi-autonomous work teams and product or process improvement teams, and aspects of individual agents' job design including discretion in customer interactions, work processes and daily tasks.

Figure 22 shows the proportion of employees with access to flexible work systems and who participate in team-based work organisation systems. It is clear from the data that smaller call centres provide a much larger percentage of their employees with flexible job descriptions and work arrangements. Small call centres report on average that 13% of agents have flexible job descriptions compared to 0% in large call centres, and that 35% have access to flexible work arrangements, compared to only 18% in large call centres. Small centres also seem to more frequently organise their work around autonomous teams. A much larger proportion of employees were reported to be part of self-managed teams in small call centres (50%) than in large call centres (28%). The percentage of employees involved in quality circles or process/product improvement teams is also slightly higher in small call centres (34%) than in large call centres.

When comparing in-house centres to sub-contracted centres, the contrasts are not quite as clear. A slightly larger percentage of employees in in-house centres had access to flexible work arrangements (31% vs 26%) but a lower percentage had flexible job descriptions (5% vs 28%). Similarly a larger percentage of employees in in-house centres were involved in quality circles/product improvement teams (34% vs 24%) but a lower percentage of employees who were part of self-managed/semi-autonomous teams (39% vs 59%).

Figure 22: Average Percent of Employees with access to various types of work organisation systems
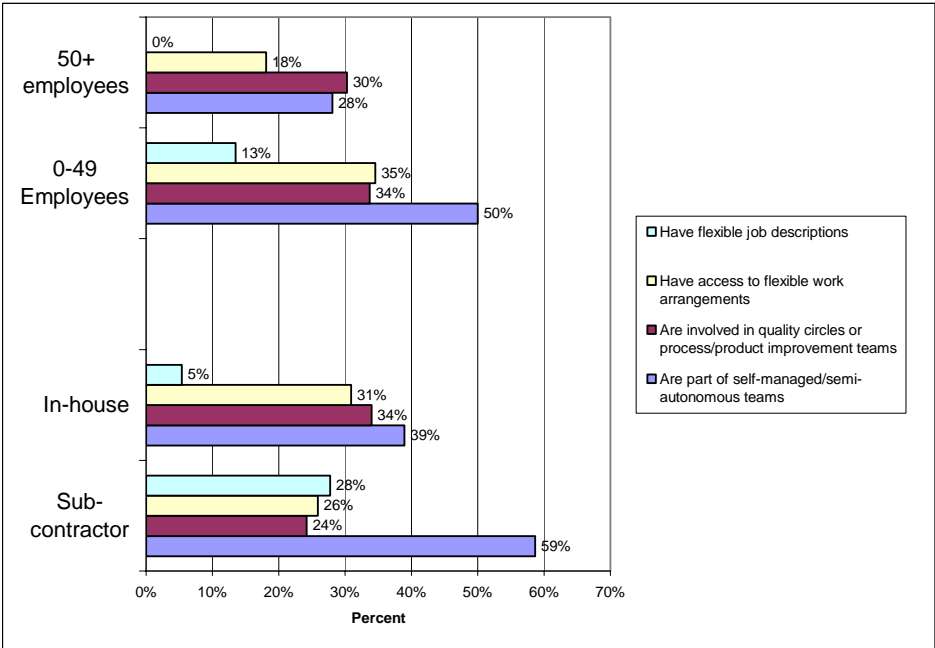
In our survey, we also asked a series of questions related to job discretion, which refers to the amount of choice that agents have when on the job. We looked at discretion related to agents interaction with customers, discretion related to work processes, and discretion related to the scheduling of daily tasks, including the pace of work and timing of breaks. In all survey questions, we asked managers to rate agent discretion on a 5 point Likert scale, with 1 being "not at all" and 5 being "a great deal".

Figure 23 shows figures related to discretion agents have in interacting with customers. Overall, managers report that agents have a moderate level of discretion over many aspects of customer interaction, and are required to use scripts only to a limited extent. There is a perhaps surprising similarity between in-house and sub-contracted call centres in the extent to which core employees were reported to have discretion in their interactions with customers. The extent to which core employees were required to use scripts is reported as 2,27 in both in-house and sub-contracted call centres. A small difference was evident in the extent to which core employees were reported as having discretion over what to say to customers (3,45 in in-house and 3,18 in sub-contracted call centres) and settling customer complaints (3,63 in in-house and 3,64 in sub-contracted call centres). However a larger difference was evident in the extent to which core employees were reported to have discretion over handling additional customer requests (3,63 in in-house and 2,91 in sub-contracted call centres). This suggests that agents in sub-contracted call centres tend to deal with a narrower band of customer requests than those in in-house call centres.

Figure 23 also suggests that a core employees in small call centres enjoyed slightly greater discretion in customer interactions than those in large call centres. In small call centres the extent to which core employees were reported to have discretion over what to say to customers was 3,2 compared to 3,51 in large call centres. The extent to which core employees were reported to have discretion over handling additional requests was 3,67 compared to 3,10 in large call centres. Similarly the extent to which employees were reported to have discretion over settling customer complaints was 3,72 in small call centres compared to 3,45 in large call centres and the extent to which core employees were required to use scripts was higher in large call centres (2,5) than in small call centres (2,21).

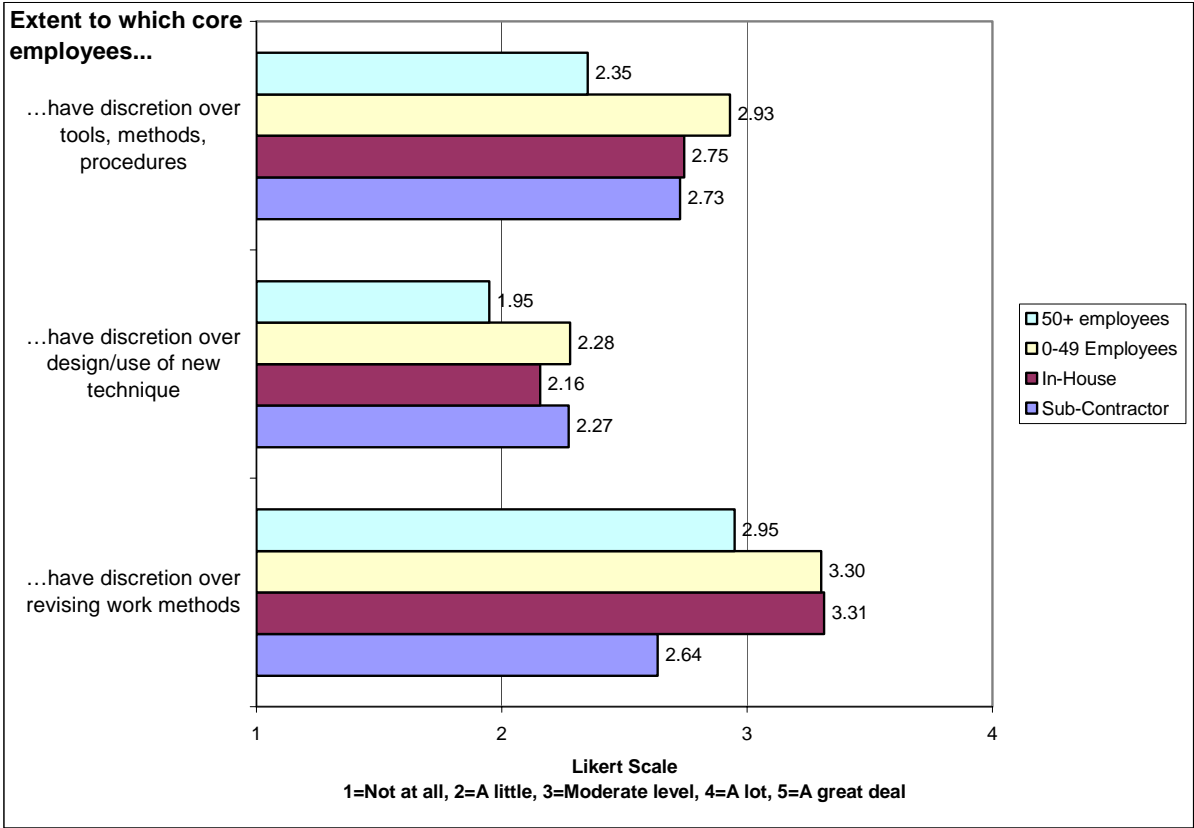**Figure 23: Job Design: Customer Interaction**

27
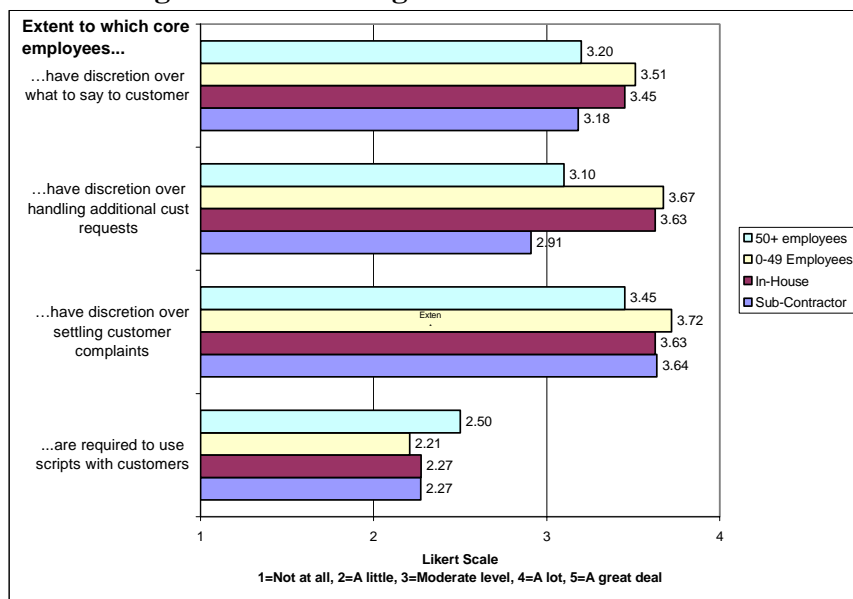
In terms of the work process itself, including tools, procedures, techniques, and work methods, there is again little difference between in-house and sub-contracted call centres (see figure 24). While the extent to which core employees had discretion over revising work methods was reported to be higher in in-house call centres (3,31) than in sub-contracted call centres (2,64), the extent to which core employees were reported to have discretion over work processes was similar with respect to tools, methods and procedures (2,75 in in-house call centres and 2,73 in sub-contracted call centres) and design/use of new techniques (2,16 in in-house call centres and 2,27 in sub-contracted call centres).

Greater variation appears between small and large call centres in the extent to which core employees were reported to have discretion over work process. The extent to which core employees were reported to have discretion was lower in large call centres with regard to discretion over tools, methods and procedures (2,35 in large call centres and 2,93 in small call centres), design/use of new technique (1,95 in large call centres and 2,28 in small call centres) and revising new work methods (2,95 in large call centres and 3,30 in small call centres).

Overall, however, it is clear that agents have less discretion in the work process than they do in their interactions with customers themselves. The average figures in all categories of work process discretion are significantly below those figures for discretion in customer interaction.

Figure 24: Job Design: Work Process

Extent to which core employees...

…have discretion over tools, methods, procedures
- 2.35
- 2.93
- 2.75
- 2.73

…have discretion over design/use of new technique
- 1.95
- 2.28
- 2.16
- 2.27

…have discretion over revising work methods
- 2.95
- 3.30
- 3.31
- 2.64

Legend:
- □ 50+ employees
- □ 0-49 Employees
- ■ In-House
- ■ Sub-Contractor

Likert Scale
**1=Not at all, 2=A little, 3=Moderate level, 4=A lot, 5=A great deal**

Agents also typically have a little or less than moderate level of discretion over daily tasks, including lunch/break schedule and pace of work. Over half of all call centres reported not at all or a little level of discretion over daily work tasks and lunch/break schedule, though they reported a somewhat higher level of discretion over pace of work (see figure 25). A surprising picture emerges with slightly higher levels of discretion over job tasks being

reported in sub-contracted call centres with respect to two of the three measures in this area. The extent to which core employees were reported to have discretion over daily work tasks was 3 in sub-contracted call centres compared to 2,69 in in-house call centres. Similarly the extent to which core employees were reported to have discretion over pace and speed of work was 3,27 in sub-contracted call centres as compared to 3,14 in in-house call centres. However the extent to which core employees were reported to have discretion over scheduling lunch breaks was very similar with 2,49 reported in in-house call centres and 2,36 in sub-contracted call centres.

Once again, small centres seem to provide higher levels of job discretion than large centres. The extent to which core employees were reported to have discretion on each of the measures relating to daily tasks was higher in small call centres – for example 2,91 as compared to 2,50 in large call centres in relation to daily work tasks, 3,30 as compared to 2,9 in large call centres in relation to discretion over pace/speed of work and 2,53 compared to 2,25 in relation to scheduling of lunch breaks.

Figure 25: Job Design: Daily Tasks
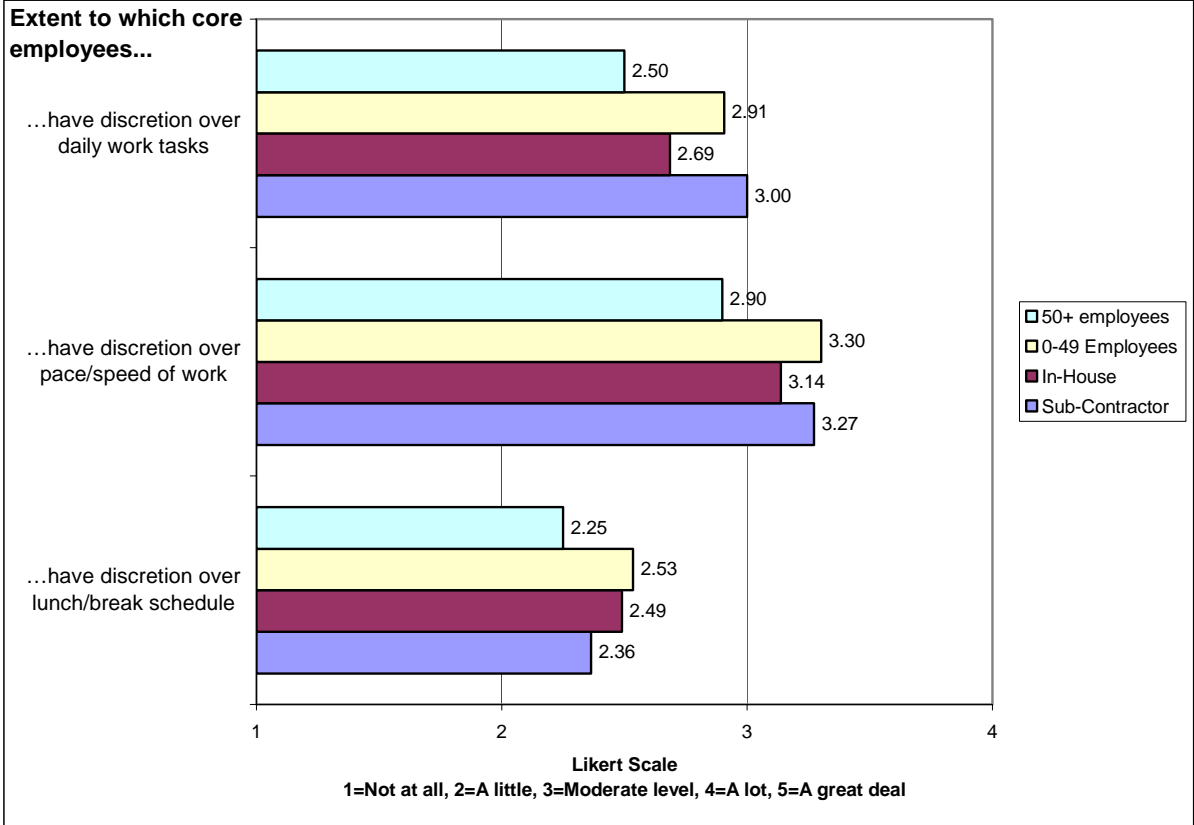
When comparing South African call centres to the rest of the world, it appears that call centres in South Africa typically provide a relatively high level of discretion. As reported in the Global Call Centre Report (Holman *et al*. 2007), South Africa is estimated to have approximately 29% of centres with predominantly low discretion jobs (defined as below 2,7 on a combined scale), compared to 51% average in all liberal market economies and 30% in coordinated market economies. India has the higher percentage of call centres with low discretion jobs, with over 70% of call centres reporting that agents have low discretion levels.

VII. Monitoring and Performance

Managers in call centres have a wide-range of methods for monitoring the performance of agents. Some of these methods are based on automatically generated computer data, such as call handling times, task times, and call waiting times. Other methods require more active engagement by supervisors and higher levels of subjective interpretation, such as through listening in on agents' calls and coaching them on phone techniques. The diversity of methods has contributed to performance monitoring becoming one of the key issues of both popular debate and academic research in relation to call centres worldwide. It has been an issue taken up by call centre trade unions at both national and international levels. And it has been the subject of considerable academic research.

Both the call-handling technology and the typical call-centre work organisation contribute to a high degree of performance monitoring. When used effectively, performance monitoring can be a good mechanism for employee skill development and quality control. However, high levels of performance monitoring and its use in more disciplinary ways can create high levels of tension between employees and their managers. Indeed high levels of performance monitoring have been linked to employee stress levels and staff turnover, especially when it has been combined with low discretion levels.

Compared to the other countries surveyed, South African call centres rank amongst those with the highest degree of overall performance monitoring and feedback, behind only South Korea and India in measurements of the average frequency of performance monitoring activities. (Holman *et al*, 2007, p17). As can be seen from the graph below (Figure 26), performance monitoring occurs more intensively in sub-contractor call centres and in those that are larger in size (more than 50 employees). This is in line with the global picture, and probably for similar reasons; sub-contracting call centres are likely to require higher levels of performance monitoring to meet service level agreements, to address external customer requirements and to facilitate reporting requirements (Holman *et al*, 2007, p28). Likewise it is likely that larger workforces increase the need for performance monitoring information.

Figure 26: Average percent of core employees work activity that are monitored continuously throughout the day
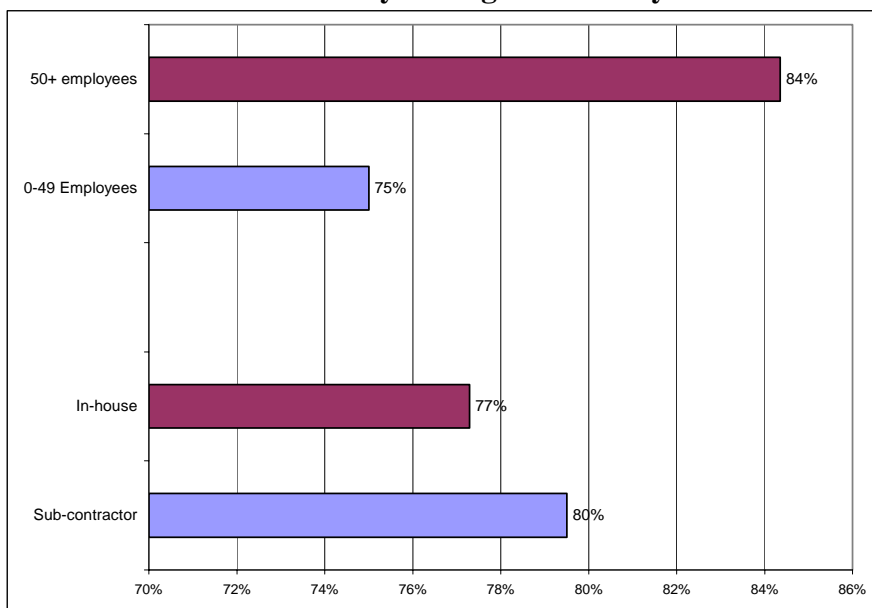
One of the common means by which performance is monitored is having supervisors listen to how agents handle randomly selected calls, in order to provide qualitative feedback. We asked respondents how often supervisors listened to calls of experienced agents. As with the more general monitoring of agents' activities discussed above, and probably for the same reasons, the breakdown of responses suggests calls are listened to rather more frequently in both sub-contractor and larger call centres (between 'every few weeks' and 'once a week') than in smaller or in-house call centres ('every few weeks') (see figure 27).

Feedback on the basis of performance monitoring of agents is a standard and pervasive feature of call centre performance management, where it is often used to incentivise performance both individually and in teams. As can be seen in figure 27, South African call centres are no exception, with call centres across the board reporting that statistical feedback on the performance of core employees is given with a high degree of frequency, on average between 'once a week' and a 'few times a week'. Feedback and coaching on telephone technique is also a pervasive feature, although it is conducted rather less often. Interestingly such feedback and coaching is again more frequent at the larger call centres and at those which are sub-contractors, presumably for similar reasons to those suggested above.

Figure 27: Frequency of Use of Statistics
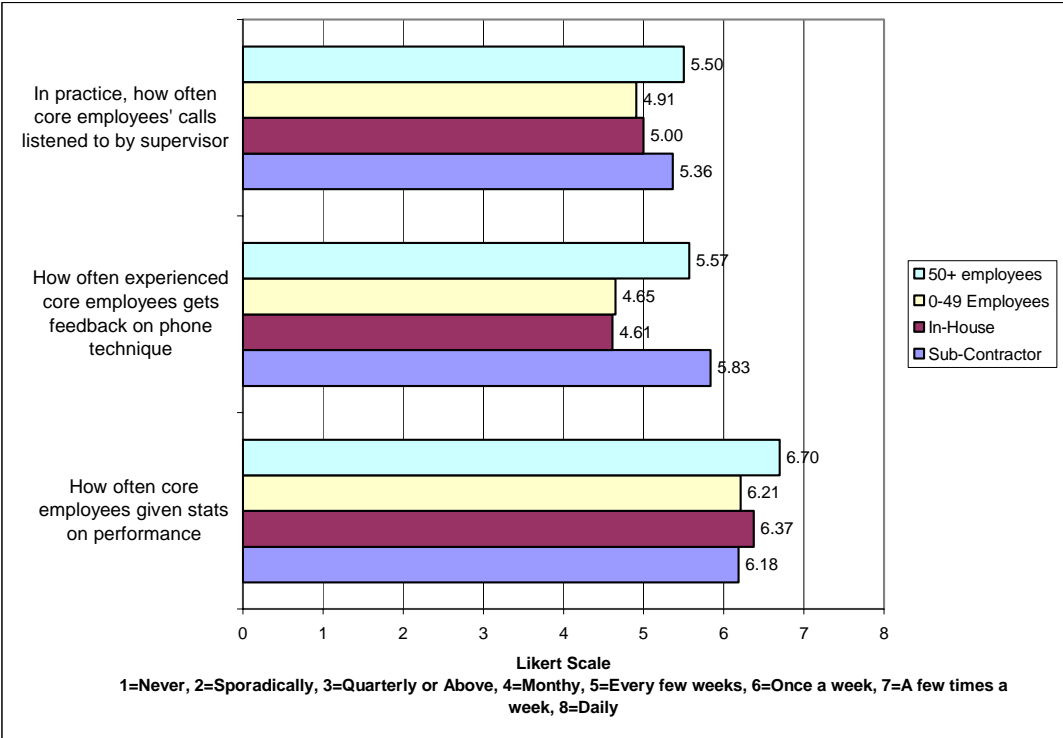
Although performance monitoring is frequently perceived by call centre agents as a source of stress and anxiety, the centres in the study overwhelmingly see it as a source of corrective action, both to identify training needs and to improve performance. Except in the case of sub-contractor call centres, who report more extensive use of performance monitoring information to improve employee performance and to identify training needs, there is little difference across the other types of call centres in the survey. Once again this is likely to be linked to the need to meet external service level agreement standards (see figure 28).

The use of statistical performance information for disciplinary purposes is considerably less extensive, with most call centres reporting usage levels of between "a little" and a "moderate level". Disciplinary actions on the basis of performance statistics, nevertheless, would appear to be relatively extensive, and hence a possible contributor to employee stress, and ultimately to staff turnover and attrition, which are discussed elsewhere in this report.

Figure 28: Purpose of use of statistics
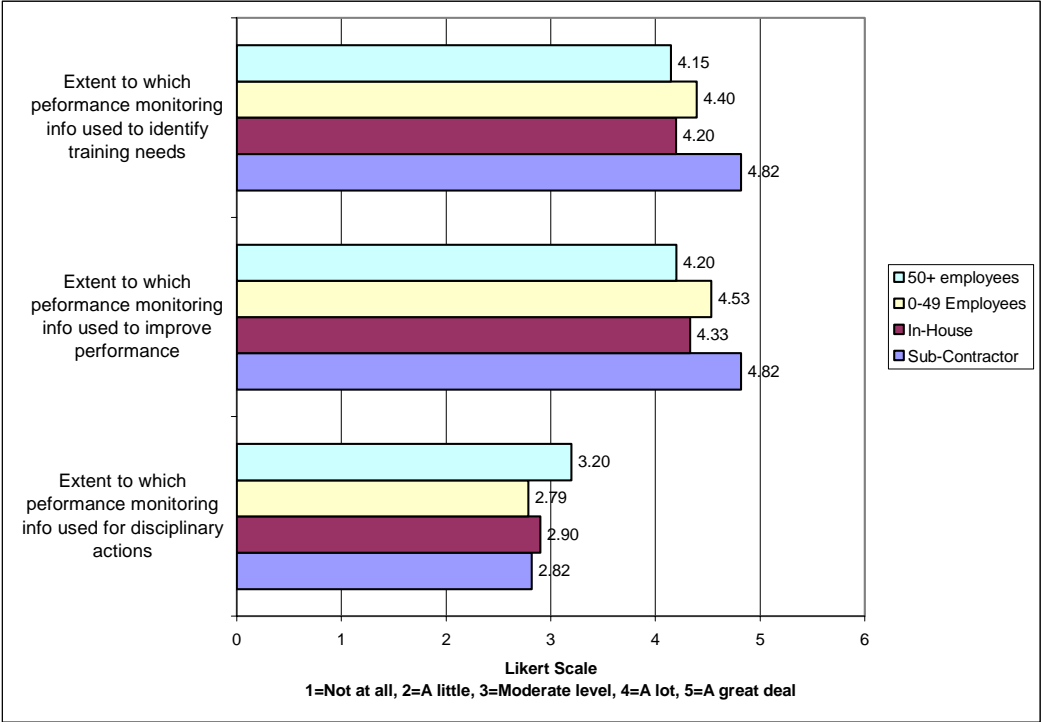
The goal of monitoring naturally is to improve call centre operational performance, two key indicators of which are the ability to answer calls within a set time (usually 20 seconds), and, conversely the reduction in the number of customer calls that are 'dropped' or abandoned by the customer before they can be answered by an agent.

**Figure 29: Percent of calls answered in target time**
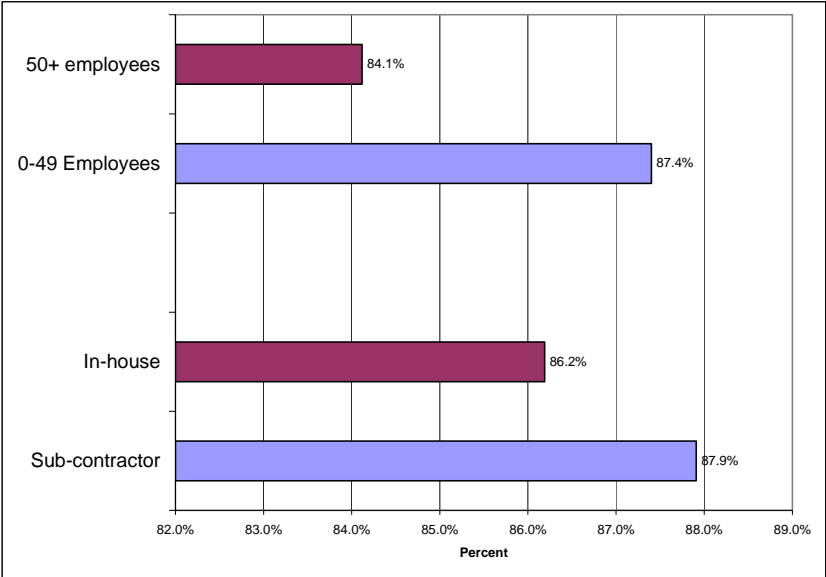
The global average across all call centres surveyed for calls answered within the target time was 87% (Holman *et al*, 2007, p43), against which South Africa compares favourably, with an average of 86,5%. Performance in this regard appears slightly higher at the smaller call centres. The difference between in-house and sub-contractor call centres echoes the pattern observed globally, with sub-contractor call centres out-performing their in-house counterparts (88% to 86%), although by a smaller differential (globally 90% to 85%). The reasons for this differential likely reflect the need to adhere to external performance targets identified above.

Conversely, inbound calls are far less likely to be abandoned at sub-contractor call centres or those with fewer than 50 employees.

Figure 30: Percent of Calls Abandoned
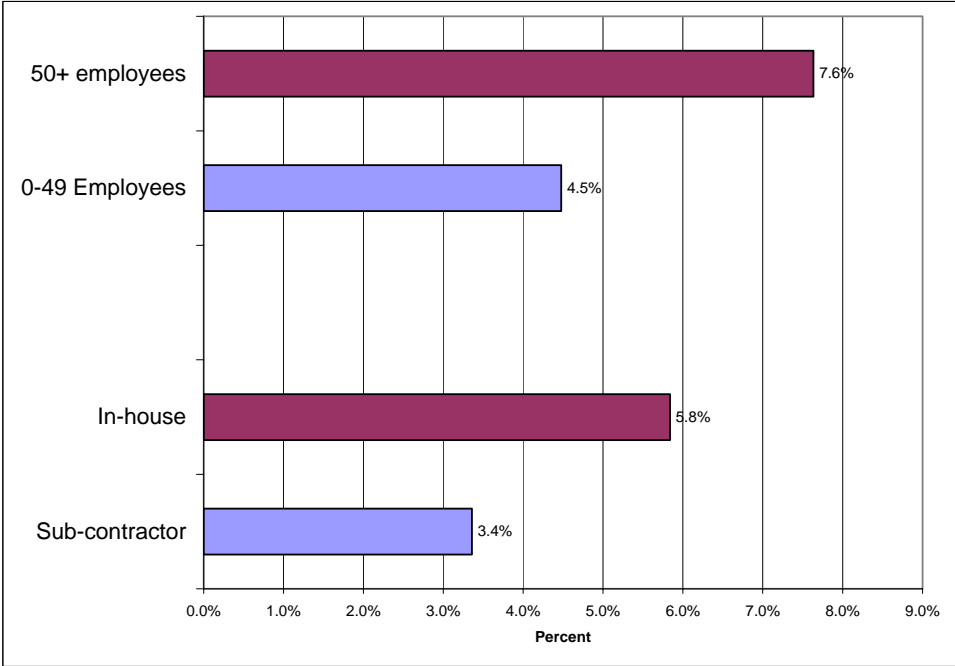

VIII. Customer Contact and Customer Satisfaction

Obviously the core function of call centres is their interaction with existing and potential customers. The nature of this interaction with customers shapes the effectiveness of call centres in identifying needs and solving customer problems. Customer relationship management (CRM) has become an increasingly popular approach in service industries, that may involve individual agents developing relationships with specific customers and/or extensive CRM data systems. Implementing effective customer relationship systems in a call centre environment, however, is highly complex, and often the promise of formal systems is much greater than the reality. Examining how different call centres manage that customer communication, and the extent to which centres have formal systems for handling customer needs, is thus an important dimension of this study.

Given the importance of the customer relationship function, it is unsurprising that respondents across the board report a high level of formal systems for both identifying and handling customer complaints, with little variation between the types of call centre under consideration. 84% of managers either "agree" or "agree a lot" with the statement that "there is a formal

system for handling complaints", and 75% of call centre managers either "agree" or "agree a lot" with the statement that "there is a formal system for identifying and rectifying complaints". This suggests that the vast majority of call centres have formal procedures to process customer complaints, and that a slightly smaller amount, but still vast majority take the further step of analysing and addressing the root causes of such complaints. The variation between small and large centres, or between in-house and sub-contractor centres in this dimension is small (see figure 31).

A third aspect of complaints handling was examined: the degree to which agents themselves were empowered to use their initiative to deal with and resolve customer complaints. Empowerment and trust are key features of a workplace providing quality employment, and were reported to be surprisingly prevalent given the degree of performance monitoring reported above. However, it is the smaller call centres, and the in-house centres that report a higher prevalence of such empowerment. This is likely to be so if there is a greater degree of systematisation or 'scripting' in larger call centres, and if contractor call centres are more tightly bound by the tightly-specified requirements of external clients.

Figure 31: Extent to which you agree with the statement…
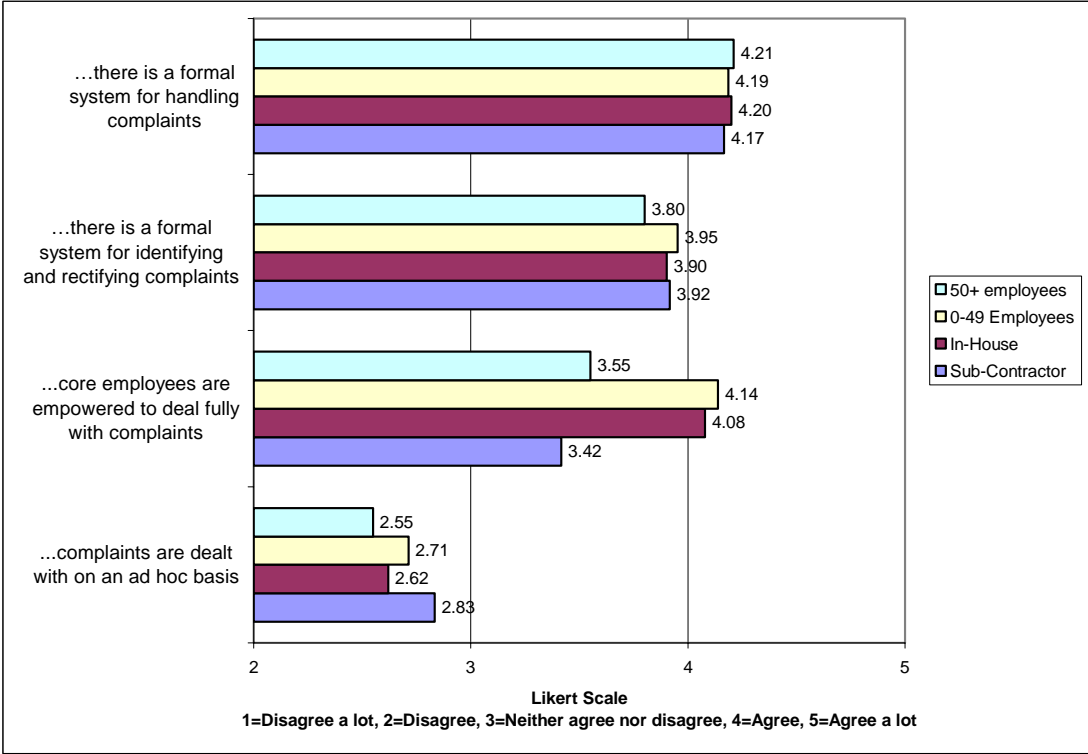
The degree of empowerment of call centre agents is likely to be related to the specific nature of work undertaken by the respective call centres. It is therefore not surprising that a higher prevalence of "problem-solving" activities are reported also at smaller or in-house call centres (for whom the reported higher degrees of empowerment were discussed above). Conversely, "selling", whilst reported at a significant number of call centres, is more prevalent at centres of larger size or engaged in sub-contractor work. While there is a fair degree of consensus as to the degree to which agent interactions involve building a relationship with the customer and their organisation, it is at the subcontractor centres that this is most extended towards building a "rapport" with the customer. This may be because of the external nature of sub-

contractor sites and a corresponding emphasis on the need for customer rapport. It may also be related to the greater prevalence of selling at contractor sites.

**Figure 32: Content of customer interaction**
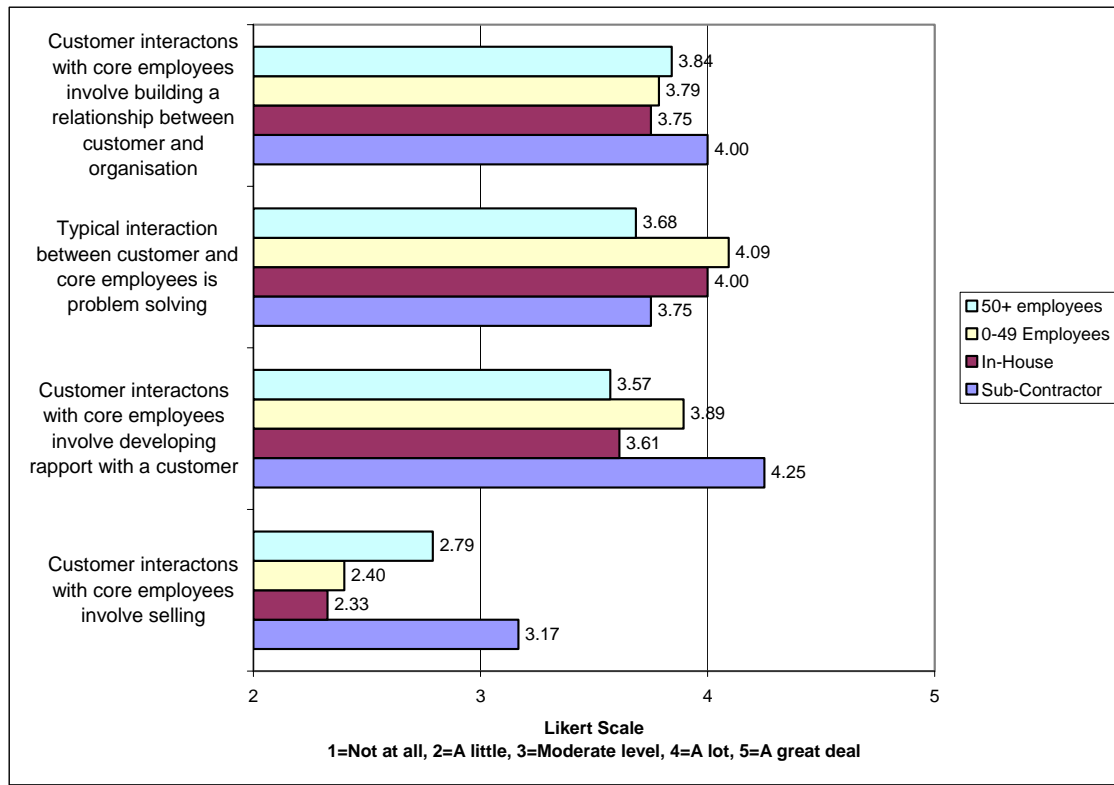
VIII. What difference does a union make?

One of the central issues in the South African call centre industry is the role and impact of unions. As in many industries, employers are frequently concerned that unionisation will lead to higher costs and less flexibility. This concern in South Africa is particularly strong amongst employers trying to attract international call centre outsourcing. One of our informants went to far as to describe unions as the 'kiss of death' for the call centre industry, expressing a concern that high levels of unionisation would drive away possible foreign investors. On the other hand, studies of unionisation in call centres in other countries have documented improved performance in union call centres, greater prevalence of 'high-performance work systems', and better working conditions.

Overall 25% of the call centres surveyed have a recognition agreement with a trade union for collective bargaining purposes. This is lower than the international average, where 40% of call centres are covered by a collective bargaining agreement, and just over 50% have some form of collective representation. This is in marked contrast to the popular and academic view of call centres as 'sweatshop' environments deeply hostile to trade union organisation (cf Apostol, 1996, and Fernie & Metcalf, 1998). In-house call centres are significantly more likely to be unionised, presumably on the basis of union penetration within the parent company. Interestingly and counter intuitively, union density is considerably higher at smaller call centres (see figure 33).

Figure 33: Percent of call centres that recognise a trade union for collective bargaining purposes
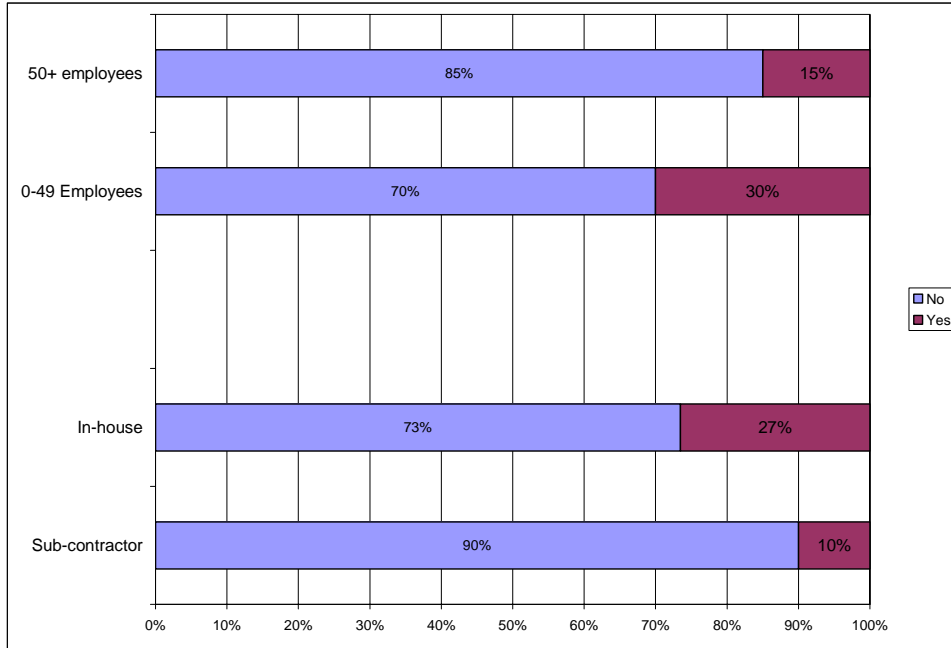
Our survey provides some information on similarities and differences between unionised and non-unionised firms.

The general characteristics of unionised firms are not very different from non-unionised firms. In terms of the primary market serviced, the difference is insignificant; 8% of unionised firms in our sample primarily serve an international market, compared to 10% of non-unionised firms (see Figure 34). Unionised firms are somewhat less likely to focus on out-bound calls (13% compared to 24% for non-unionised firms, and somewhat less likely to be an out-sourced centre (7% compared to 20%).

Figure 34: Call Centre General Characteristics, by unionised status
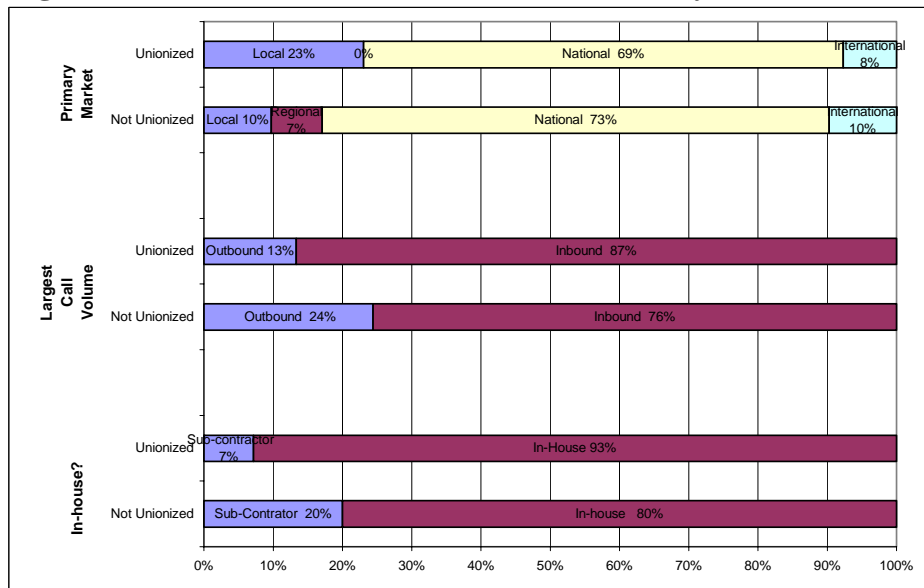
Unionised firms in our sample were somewhat more represented in the telecommunications industry (29% of unionised firms compared to 10% of non-unionised), but unionised call centres exist across many industries (See Figure 35).

Figure 35: Primary Industry served by call centre, by unionised status
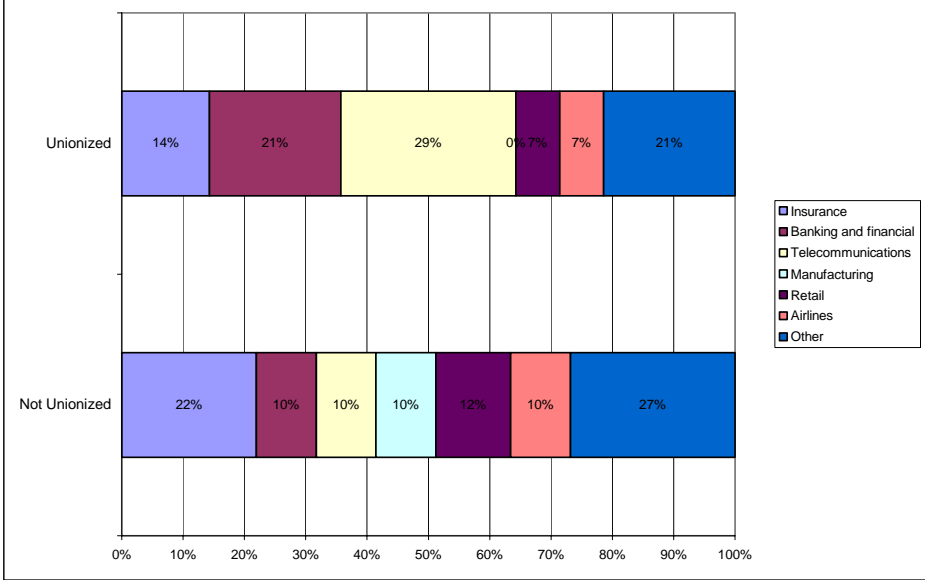
Interestingly, the difference in annual earnings that core employees receive doesn't differ very much based on whether a union is recognised or not. Core employees in non-unionised call centres earn on average R76 490, while those in unionised call centres earn on average R79 920, about 4,5% more.

Along with the higher earnings in call centres, however, comes smaller level of attrition. Unionised call centres reported on average that only 8,1% of employees quit in the previous year, compared to 11,8% of employees in non-unionised call centres, and that only 2,4% of employees were dismissed, compared to 5,8% in non-unionised call centres. Overall, unionised call centres reported an attrition rate (quits + dismissals + retirements) of only 9,0% compared to 16,9% in non-unionised centres. At the same time, workers in unionised call centres seem to have greater opportunities for career advancement, with managers in unionised call centres reporting on average that 8,4% of employees were promoted within the call centre in the previous year compared to only 4,7% in non-unionised call centres (see Figure 36).

Another interesting facet of the union dimension is that unionised firms experience lower costs to recruit, screen and train new employees. Non-unionised firms on average report that they spend R18 300 to recruit, screen and train each new employee, while for unionised firms, it is only R14 700. Thus, overall unionised call centres face significantly less attrition, and lower costs to replace each employee that leaves the centre.

Figure 36: Attrition and Promotions by Union Status
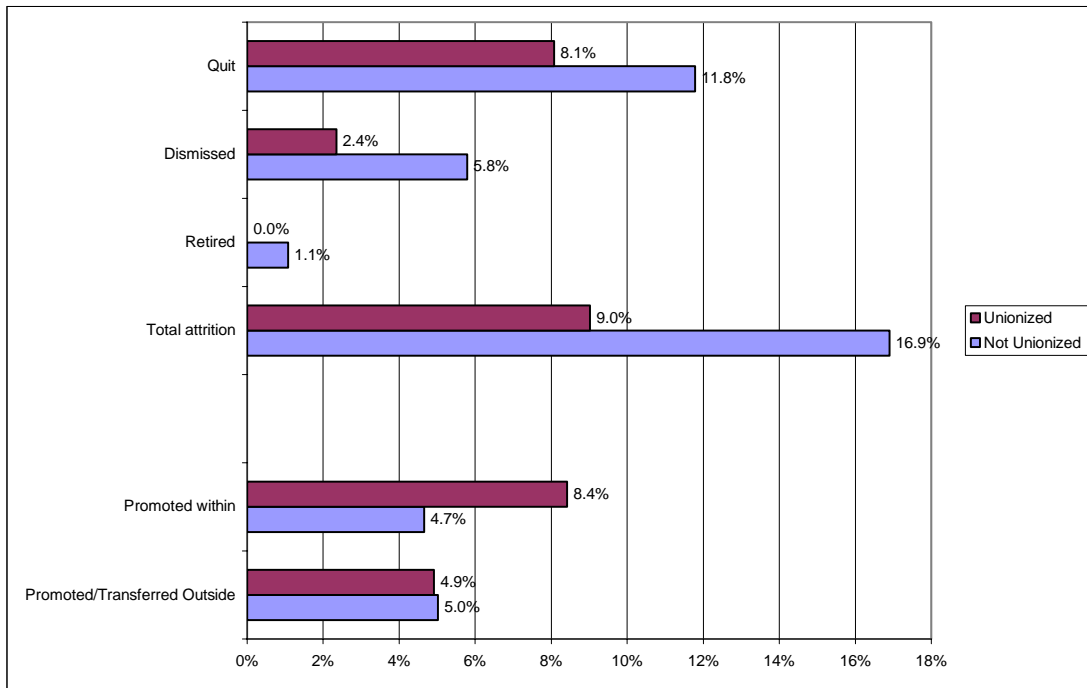
The reduction in replacement costs are likely to be realised most strongly in areas of recruiting and screening, since unionised call centres are providing more training than non-unionised call centres. This is particularly true in the area of training for new hires. Unionised call centres report that they provide on average 28,6 days of training for newly hired employees, compared to 23,5 days for non-unionised firms. Unionised firms seem to continue to provide more training for their core employees, with unionised firms reporting that they provide 13,8 days of formal training per year to experienced employees, compared to 12,2 days per year in non-unionised call centres (see figure 37).

Figure 37: Formal Training Provided to Core Employees, by unionised status
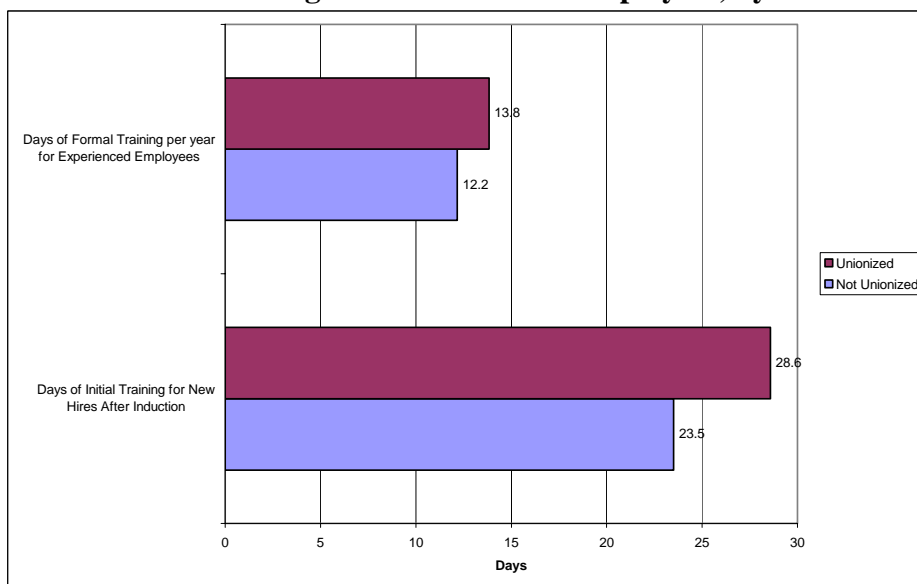
Unionised call centres also report that core employees are able to become fully competent in a shorter period of time. In non-unionised centres, it takes on average 18,1 weeks for core employees to become fully competent, while in unionised call centres it only takes 15,3 weeks.
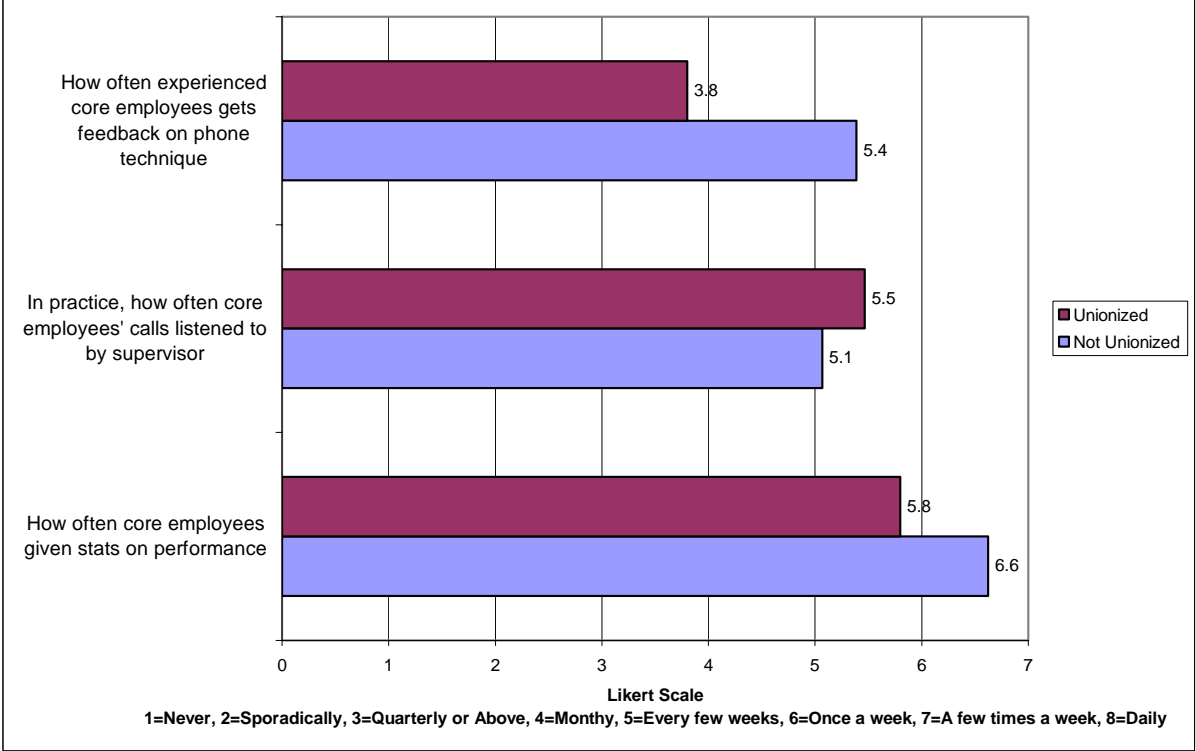
Overall, the higher investment in training and the presence of unions seem to be also associated with work systems and job design that display greater levels of worker autonomy. Managers in unionised call centres report that a higher percentage of employees have flexible job descriptions (15,7% vs 5,7%), have access to flexible working arrangements (45,9% vs 19,9%), are involved in quality circles and/or product improvement teams (38,8% vs 26,4%) and are working in self-managed or semi-autonomous teams (56,0% vs 36,2%) (see figure 38).

Figure 38: Percent of employees with access to various types of work organisation systems, by unionised status
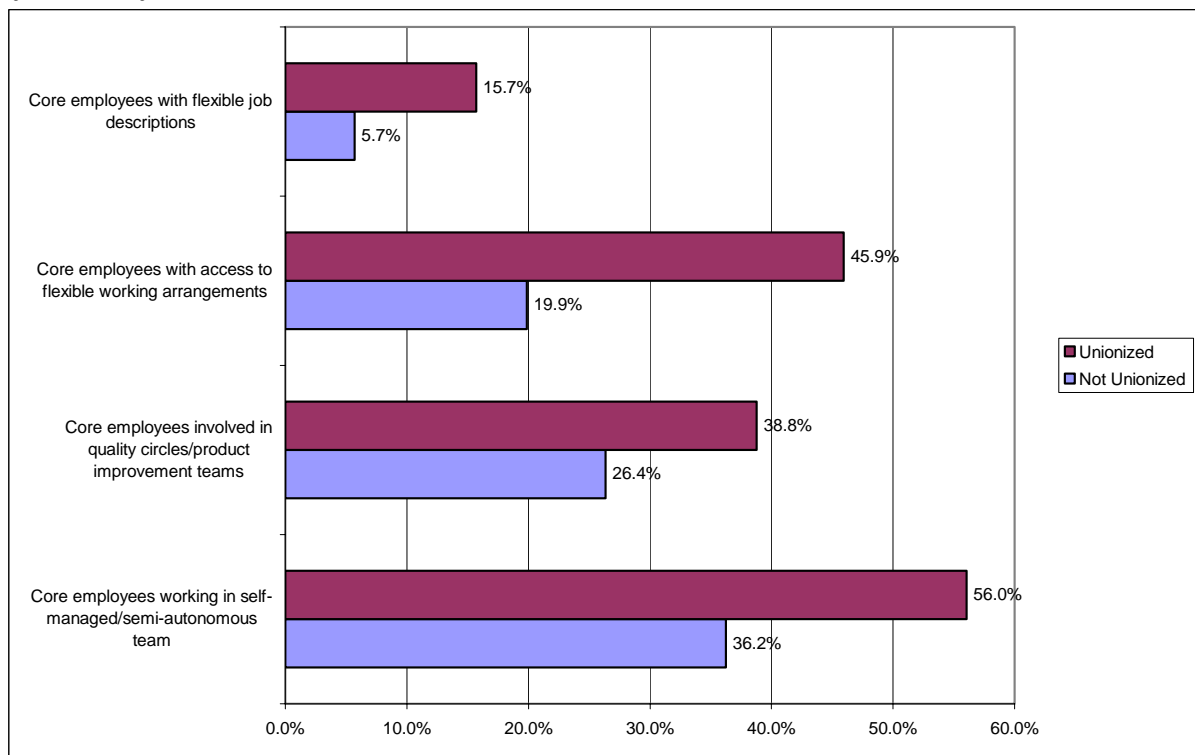
Workers in call centres that recognise a trade union also appear to be electronically monitored somewhat less than those in non-unionised centres, with non-unionised centres reporting that 80% of core employees work time is electronically monitored, compared to 74% in unionised centres. In terms of the use managers make of monitoring or supervision, there do not seem to be strong or systematic patterns of differences. Workers in unionised call centres seem to be somewhat more likely to have their calls listened to by a supervisor, but somewhat less likely to be given statistics on their individual performance or to be given feedback on their phone technique (see figure 39)

Figure 39: Frequency of Use of Statistics by Unionised Status

Horizontal bar chart. Legend: Unionized, Not Unionized.

- How often experienced core employees gets feedback on phone technique: Unionized 3.8, Not Unionized 5.4
- In practice, how often core employees' calls listened to by supervisor: Unionized 5.5, Not Unionized 5.1
- How often core employees given stats on performance: Unionized 5.8, Not Unionized 6.6

X-axis: Likert Scale (0–7)
1=Never, 2=Sporadically, 3=Quarterly or Above, 4=Monthy, 5=Every few weeks, 6=Once a week, 7=A few times a week, 8=Daily

At the same time, while the frequency of monitoring or feedback may not show clear patterns, it does seem clear that managers in unionised call centres are more likely to use information from performance monitoring primarily to identify training needs or to improve performance, and less likely to use that information for disciplinary purposes (see figure 40).

Figure 40: Purpose of use of Statistics, by Unionised Status

Horizontal bar chart. Legend: Unionized, Not Unionized.

- Extent to which peformance monitoring info used to identify training needs: Unionized 4.5, Not Unionized 4.3
- Extent to which peformance monitoring info used to improve performance: Unionized 4.7, Not Unionized 4.4
- Extent to which peformance monitoring info used for disciplinary actions: Unionized 2.8, Not Unionized 3.1

X-axis: Likert Scale (0–5)
1=Never, 2=Sporadically, 3=Quarterly or Above, 4=Monthy, 5=Every few weeks, 6=Once a week, 7=A few times a week, 8=Daily

With a more autonomous workforce, and more likely to use monitoring to improve performance rather than discipline employees, unionised call centres also are more likely to have formal systems for identifying and dealing with customer complaints. On a 5-point Likert scale, managers in unionised call centres reported on a higher level that they had formal systems for identifying and rectifying complaints (4,4 vs 3,7), and for handling complaints (4,6 vs 4,1). They also reported on a higher level that employees were empowered to deal fully with complaints (4,3 vs 3,8). They also are less likely to agree that they deal with complaints on an ad hoc basis (2,3 vs 2,8) (see figure 41).

Figure 41: Customer Complaint Systems, by Unionised Status
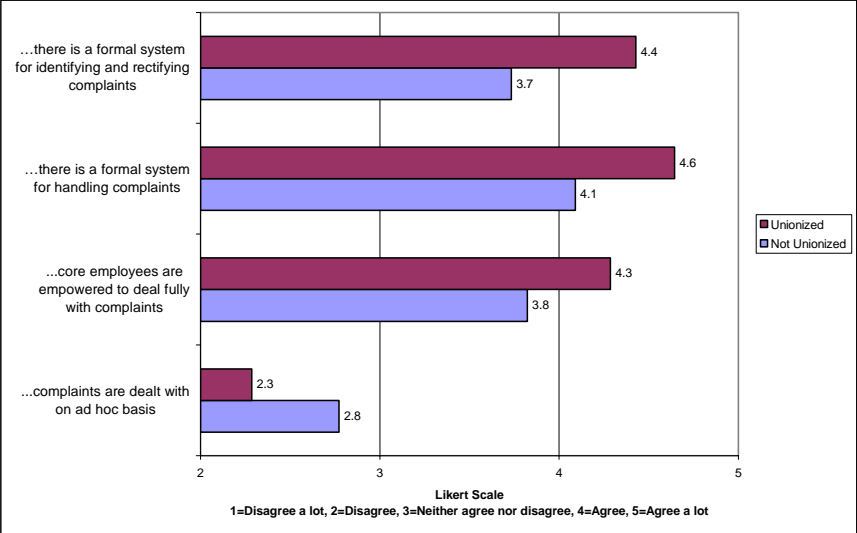
In the substance of their interaction with customers on the phone, workers in unionised call centres also seem more likely to involve problem solving and developing a rapport with customers. Managers in non-unionised call centres, however, were somewhat more likely to report that customer interactions involved building a relationship with between customer and the organisation. This is typically a sign of serving business customers or high-end consumer markets, suggesting that unionised call centres are more likely to serve mass market centres (See figure 42).

Figure 42: Content of customer interaction, by unionised status
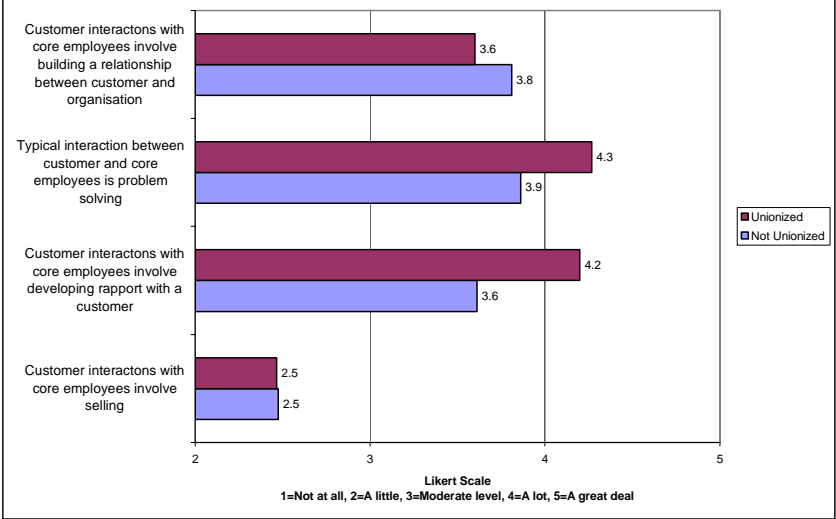
While unionised call centres seem to be more focused on empowering workers to deal effectively with the substance of their interactions with customers, it seems that unionised call centres are somewhat under performing in the basic area of answering calls in a timely manner. Managers in unionised call centres reported that 83,6% of calls were answered within their target time, and that 8,1% of calls were abandoned. In contrast, managers in non unionised call centres reports that 86,3% of calls were answered in their target time, and only 4,5% of calls were abandoned (see figure 43).

To attempt to measure the overall satisfaction level of customers of the call centres, we asked managers to respond to the question "Based on the best information you have, what is the average level of customer satisfaction at this call centre?", measured on a 5-point Likert scale, with 1= Very Dissatisfied, and 5= Very Satisfied. There was essentially no difference between unionised and non-unionised firms in this measure, with the average of both sets of managers being 3,9.

Figure 43: Performance Metrics by Unionised Status
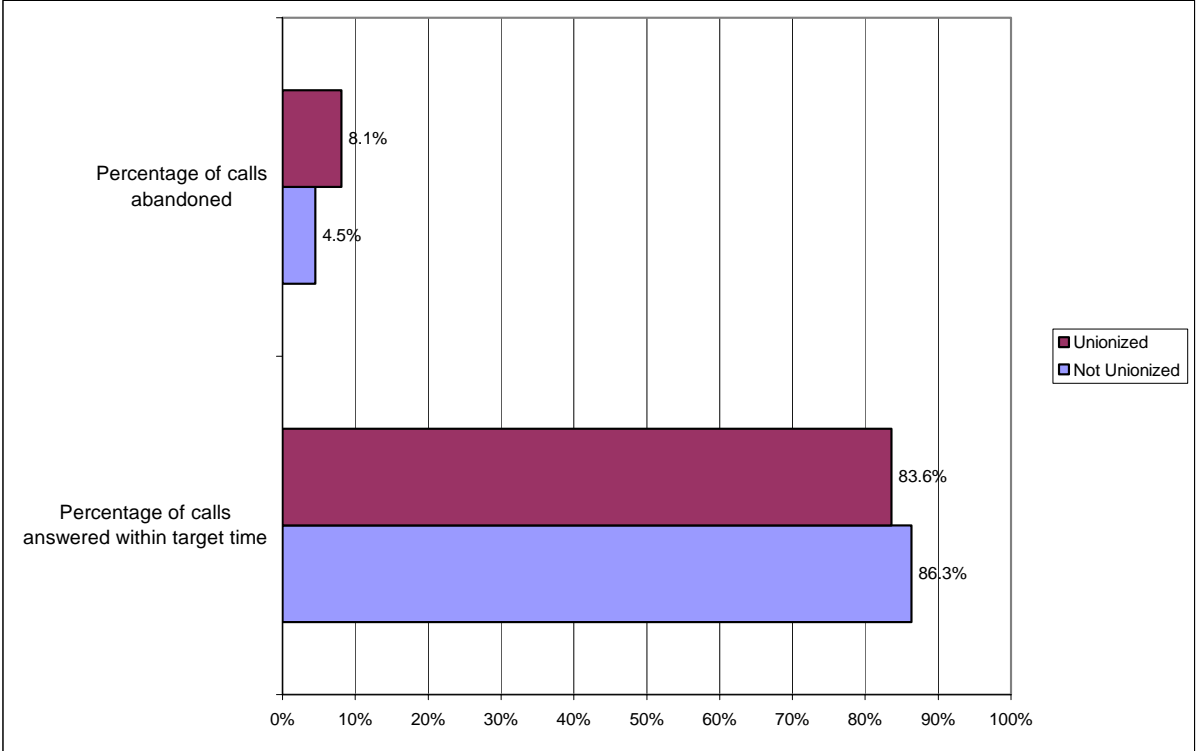
Overall, the picture that emerges from our study suggests an overall positive or neutral impact of unions, though with some areas of concern. Unionised call centres, though representing only a minority of call centres in our survey, seem to exist in all industries. They are more likely to be operated in-house, rather than as an outsourced firm, and to focus on incoming calls, rather than outgoing. They do not differ substantially from non unionised firms in terms of the primary market they serve. Turnover levels in unionised call centres are substantially lower than in non-unionised firms, and the costs of turnover (in terms of recruiting, screening and training replacement workers) are lower. Training levels are higher, and workers operate in more autonomous teams and with greater ability to solve customers' problems on their own. Unionised call centres seem to have lower performance levels on basic indicators of answering calls promptly, but once the calls are answered seem more likely to provide higher levels of customer satisfaction.

IX.   Conclusion

The call centre industry, and the broader business process outsourcing industry of which it is a central part, currently has a high level of visibility in South Africa. Business process outsourcing is one of only two sectors (the other is tourism) highlighted for specific sector support in the governments' Accelerated and Shared Growth Initiative for South Africa (ASGISA), the over-arching economic development strategy guiding South Africa's development since the 2004 election. In line with that initiative, in December 2006, the government announced the approval of a programme of substantial government assistance and support for BPO, which included marketing, easing entry into South Africa for new BPO initiatives, expanded skills development and substantial investment incentives that can amount to R60 000 per seat and R12 000 per agent. While the rate of take-up of this new incentive scheme may have been much less than hoped for[3], international BPO operations in South Africa in recent years have been growing. This high visibility, and high hopes for large scale job creation in the sector, lend increasing importance to our study of strategy, human resource practices and performance in the South African call centre industry.

In many ways, the findings of our study show that the South African industry is broadly in line with patterns across most of the rest of the world. Call centres in South Africa are broadly match their counterparts across the rest of the globe in terms of size, the mix of in-house and outsourced firms, ratio of inbound/outbound calls, and broadly similar patterns of work organisation and job design.

Within these broad similarities between South Africa and the rest of the globe, however, it is important to highlight two factors.

Firstly, the vast majority of call centres in South Africa serve a domestic, not an international market. This is similar to most countries in the world, with the singular exception of India. In this context, it is important to recognise that job growth in South African call centres is not entirely *net* new job growth: customer service work done remotely through a call centre may simply be replacing customer service work that would have been performed in person prior to the widespread diffusion of telecommunications and computer technology.

Secondly, most call centres employ only a few dozen workers, with a median size international size of 49 employees and a median size in South Africa of only 24. A few large centres employ a disproportionate number of agents, but again it is only in India where large centres are the norm.

These characteristics are important because much of the South African government policy towards promoting the call centre industry is based, either implicitly or explicitly, on trying to replicate India's success in attracting large, internationally oriented call centres. Yet in the global context, the call centre industry in India is a clear outlier, and South Africa's industry more closely resembles call centre industries in other countries, which predominantly serve a domestic market and in which large, outsourced call centres are the exception, rather than the rule.

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[3] Business Day recently (le Roux, 2007) criticised this new incentive scheme, reporting that no firms had taken advantage of it. To be fair, the scheme was first unveiled a scant two months previously.

Beyond these similarities with the rest of the world, there are a number of important differences in South Africa's call centre industry as well. There are three that we think are particularly important to highlight.

First is the typical educational level of call centre agents. In South Africa, the typical call centre agent has only a matriculation certificate and only 2% of centres typically hire agents with a university degree. Only Brazil has a lower percentage of firms typically hiring agents with a university degree. Across the world, on average, 22% of call centres rely primarily on a university-educated workforce, and in India, over 70% of centres reported that they primarily rely on college graduates. Clearly the image of call centre work being low-skilled clerical work is not in line with much of the industry. But more importantly, if South Africa wants to compete on quality levels with the rest of the world, it is likely that more call centres will have to rely on university graduates, or call centres will have to compensate for lower educational levels through greater levels of formal training in the call centre (which seems to already be happening to a certain extent, according to the data).

Second, the difference in characteristics between sub-contractor call centres and in-house call centres in South Africa seems to be significantly different from corresponding sub-contractor / in-house differences in countries around the world. In nearly all other countries of the world, sub-contractors: use more temporary employees; provide less training; take a shorter time for new staff to become fully competent; are more likely to offer jobs with lower discretion; have higher turnover rates; and pay substantially less. In South Africa, by contrast, sub-contractors: employ fewer temporary employees; have lower attrition and turnover rates; are generally no more likely to provide jobs with little discretion; pay only marginally less; and provide only somewhat less training. Perhaps most significantly, while in most countries sub-contracting firms are substantially larger on average than in-house firms (two to three times the average size), in South Africa, sub-contractors average only 40 employees, while in-house firms average 99 employees in our sample.

Finally, we think it is important to point out the number of centres in which the workforce is covered by collective bargaining agreement in South Africa seems to be below the global average. This is perhaps unsurprising, since the popular image of call centres is of a predominantly union-free environment. Some in South Africa have even gone as far as to say that unions would be "the kiss of death" for the call centre industry. Although it is true that in most countries a majority of call centres remain non-unionised, a substantial 40% of centres in our global study are covered by a collective bargaining agreement. By contrast only 25% of centres in South Africa are covered by a collective bargaining agreement. Our analysis of job quality, human resource practices, and performance in unionised call centres compared to non-unionised call centres, both in South Africa and in the global study, suggests that the existence of a union does not, as often assumed, result in significantly poorer performance, and in most cases contributes to higher levels of discretion, a more empowered workforce and substantially lower levels of turnover, a major source of cost savings.

XI. References

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