

**The Indian Call Centre Industry:
National Benchmarking Report**

Strategy, HR Practices, & Performance

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A Report of the Global Call Centre Industry Project

Introduction

The dramatic growth of the call center industry is a world-wide phenomenon, fueled by advances in information technologies and the precipitous decline in the costs of voice and data transmission over the last two decades. As part of this global industry, call centres in India have experienced spectacular growth in the last five years. They generate seventy percent of the revenues of the Indian Business Process Outsourcing (BPO) industry, according to estimates by Mckinsey (www.nasscom.org).

This rapid growth has also brought managerial challenges in terms of recruitment, staffing, training, and retention of workers and managers with the requisite skills and abilities to provide quality service. This report focuses on these critical human resource issues and presents systematic benchmarking data for managers. It is based on an on-site survey of 60 call centres located in cities: Bangalore, Bombay, Chennai, Delhi, Hyderabad, and Kolkata.

This Indian report is part of a larger global call center research project. Comparable national reports are being conducted in twenty countries in North America, South America, Europe, Asia, Australia, and South Africa.

In this study we examine such questions as:

- How do call center management practices differ across centres serving the domestic and international market?
- What types of technologies and work practices are being adopted?
- What are the pay levels and compensation strategies for employees and managers?
- What human resource practices contribute to lower turnover and absenteeism?

Achieving competitive success in call centers is a difficult task. Managers must balance quality and customer service while keeping costs under control. While call center technologies create efficient methods for handling service interactions, customers often become frustrated by overly standardized menus and procedures. Similarly, many employees find call center jobs to be routinized and boring, leading to high levels of employee dissatisfaction, absenteeism, and turnover. Employee dissatisfaction, in turn, can lead to lower service quality and customer dissatisfaction. With turnover rates at 30 to 50 percent a year, managers find themselves in a vicious circle – just as employees become proficient in the job, they quit. Managing the workforce is a constant cycle of recruitment, selection, training, and retention strategies.

In addition, while call center jobs are often portrayed as ‘low-skilled’ or ‘clerical’ in nature, they in fact require considerable knowledge and skills. Frontline employees confront on-going changes in product and service offerings, pricing and packaging, legal regulations, work methods, and technical processes. Thus, they need to regularly upgrade their knowledge and skills in order to serve customers well.

This report addresses these and other issues of concern to managers and employees in the call center industry. We would like to thank the managers at 60 worksites who gave generously of their time during a lengthy on-site survey interview. We would also like to thank the Center for Advanced Human Resource Studies at Cornell University for funding for this project.

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What's in this report?

In this rapidly growing industry, managers have experimented with a wide range of practices. In this report, we examine:

- ❑ Selection and staffing strategies
- ❑ The skills of the workforce and investments in training
- ❑ Adoption of new technologies
- ❑ Adoption of "high involvement work practices" such as quality improvement and self-directed work teams
- ❑ Compensation levels and strategies
- ❑ Institutional supports, such employer networks and consulting services

What we found...

Management strategies & practices...

- ❑ *Education:* While the typical call centre employee holds a Bachelor degree, almost 30 percent of managers report that they primarily hire employees with a secondary degree.
- ❑ *Selection:* The average centre serving international customers hires 1-in-10 applicants while the average domestic-oriented centre hires 1-in-4.
- ❑ *Training:* Initial training averages 6 weeks in international centres, but it takes over 3 months for employees to become proficient on the job, on average. Centres serving the domestic market provide 2.3 weeks of initial training and it takes 7 weeks to become proficient at work.
- ❑ *New technologies:* Over 60 percent of centres reported use of Customer Relationship Management Technologies, but far fewer use Voice over Internet Protocol.
- ❑ *Customers per employee per day.* The typical centre serving international customers handles 90 calls per employee per day, while the typical domestic centre handles 100.
- ❑ *Work organization and teams:* Call center employees have very low levels of discretion over daily tasks, procedures, pace of work, schedules, and how to handle unexpected customer inquiries or complaints. Between 60 and 75 percent of managers report that their employees have little or no discretion in these areas of work. In addition, a substantial minority of international centres (41 percent) rely heavily on scripted texts, while only 13 percent of domestic centres do. The use of problem-solving groups and teams is also infrequent, with fewer than 10 percent of employees involved in such initiatives.
- ❑ *Pay levels:* The annual pay of the typical call center worker in 2004 was INR 121,044 in international centres and INR 94,861 in centres serving the domestic market.

- *Pay for performance:* Individual commissions account for 17.5% of call center workers pay in international centres and 15 percent in centres serving the domestic market. This reflects the large proportion of centres involved in sales, particularly outbound sales.
- *Turnover and absenteeism:* Turnover averages almost 30 percent, according to the reports of managers in this study. Absenteeism averages 5.6 percent in international centres and 8.6 percent in domestic centres. Poaching is common among international centres, with managers reporting that almost 40 percent of their current workforce came from other call centres.
- *Tenure and Internal Promotion:* Over 50 percent of call centre employees in this study have less than 1 year of tenure with their employer. Seventeen percent of employees in international centres and 11 percent in domestic centres have been promoted to higher positions in the call centre. However, beyond the call centre, only 1 percent of employees are promoted to higher positions in the larger corporation. Thus, call centre jobs do not serve as a meaningful point of entry to higher level positions in companies.

Regarding managerial employees...

- *Supervisor's pay:* In 2004, supervisors in centres serving the international market averaged INR 293,142 in annual pay, including performance based pay. Those in centres serving the domestic market earned on average INR 146,541 in 2004.
- *Managerial pay:* In 2004, the average manager in an international centre received a salary of INR 388,728 per year, while the average manager in a domestic-oriented centre received INR 222,101.

Regarding the institutional environment...

- *Employers association and local networks:* Managers from international centres make considerable use of local networks, with 59 percent involved in local networking groups and 39 percent in employers associations. These are sources for exchanging ideas on business strategies and best practices. They also make widespread use of management consultants in the areas of technology, training, and quality management.

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The Indian Call Centre Industry Report

1.0 Industry Overview

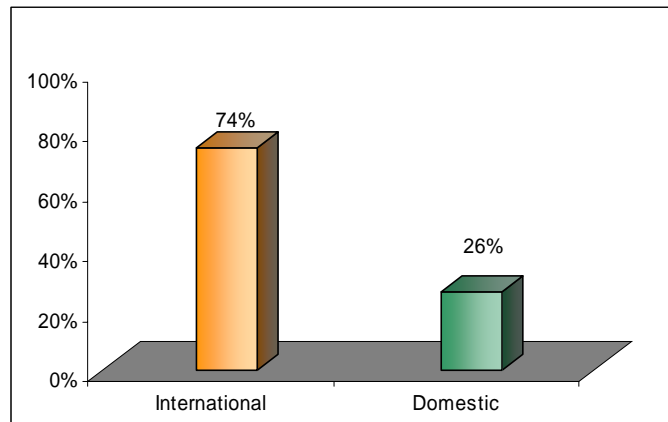
This benchmarking report of management and human resource practices in Indian call centres is based on a survey of 60 general managers of centres in 6 cities: Bangalore, Bombay, Chennai, Delhi, Hyderabad, and Kolkata. It covers call centres serving both the international market and the domestic Indian market. General managers at each workplace provided information on the types of customers and industries served and the product and labor market conditions they faced. They also provided detailed information on such management practices as the type of call centre technology used, skill requirements of jobs, organization of work, training and development policies, staffing and compensation strategies, pay levels, and performance outcomes such as turnover and sales growth. The survey was administered through on-site visits to call centres from mid-2003 to mid-2004.

The call centres in this report cover a total workforce of 34,289 employees. As centres often serve multiple markets or industries, most questions were directed to a centre's "core employees" -- defined as the largest group of employees who carry out the primary work activity for the centre's customers. The centres in this study include 31,689 core employees.

Customers, Work Functions, and Organizational Characteristics

We classified the call centres in this survey into two categories: (1) Those serving the international market (2) Those serving the domestic market. As shown in Figure 1.1, 74 percent of the call centres in this report (44 centres) cater exclusively to the international market while 26 percent (16 centres) serve the domestic market.

Figure 1.1: Percent of Call Centres Serving International & Domestic Market

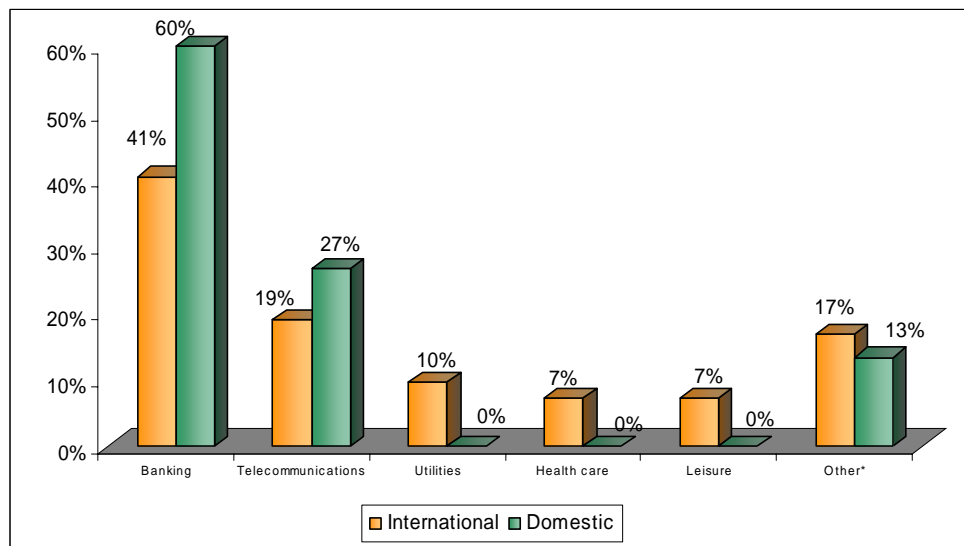


The international centres in the study were established, on average, in 2000, while the average domestic centre was set up in 1998.

This study also includes centres that are ‘in-house’ -- that is -- serving only the customers of a parent company, as well as subcontractors serving the customers of many companies. However, among the international centres, almost all are subcontractors serving multinational companies. For the domestic centres, about half are in-house operations and the other half are subcontractors, but the numbers are too small to report them separately here.

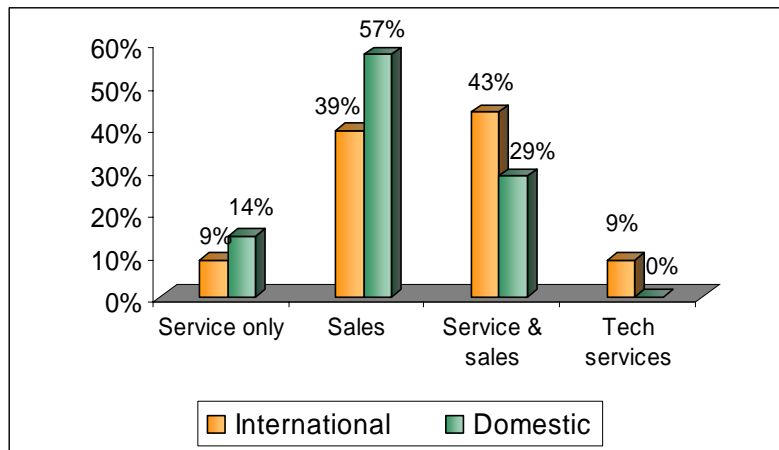
The banking industry is the primary sector served by the centres in this study. Forty-one percent of international centres and 60 percent of domestic centres report that the banking industry is their primary market. The second largest sector served is the telecommunications industry, with 19 percent of the international centres and 26.6 percent of the domestic centres referring to this sector as their primary market. Other international centres have as their primary market: utilities (9.5%), healthcare (7.1%), and leisure (7.1%). Due to their small individual numbers, we have grouped together food, retail, distribution, and manufacturing as “Other” Industries. These segments are the primary customers of 16.7 percent of international centres and 13.3 percent of domestic centres (Figure 1.2).

Figure 1.2: Call Centres by Primary Industry Served



The types of services performed by call centres also varies considerably, as reported in Figure 1.3, and these differences may have important implications for the types of business and human resource strategies adopted.

Figure 1.3: Call Centres by Primary Work Function

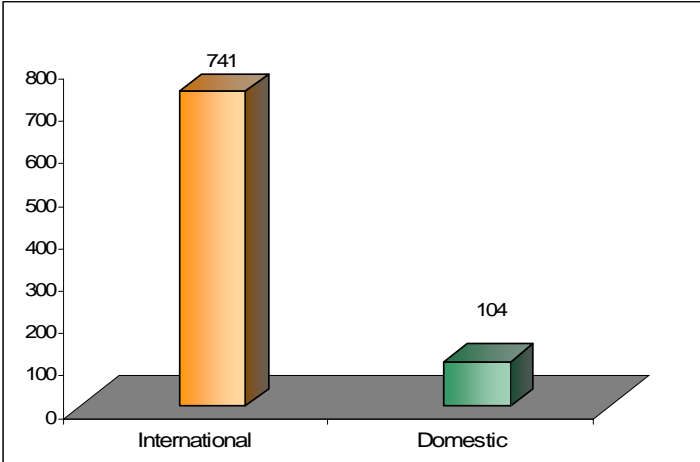


While some centres handle customer service inquiries only (such as loan processing, billing, or collections), others primarily handle sales (the majority are outbound sales or telemarketing). Others handle both service inquiries and sales, and a fourth category offers IT help or technical services. The largest group of centres are sales and telemarketing centres: 39 percent of international and 57 percent of domestic centres. The second largest group of centres provides both services and sales: 43 percent of international centres and 29 percent of domestic centres. Only a handful of worksite in this study offer technical services, and these entirely serve the international market. The overwhelming majority of centres in this study also serve the mass consumer or general market. The few business-to-business centres are primarily those offering technical services.

Thus, to summarize, the call centre operations in this study are primarily subcontractors, oriented towards providing sales or service and sales to the mass consumer market – whether they are oriented towards the Indian domestic market or the International market.

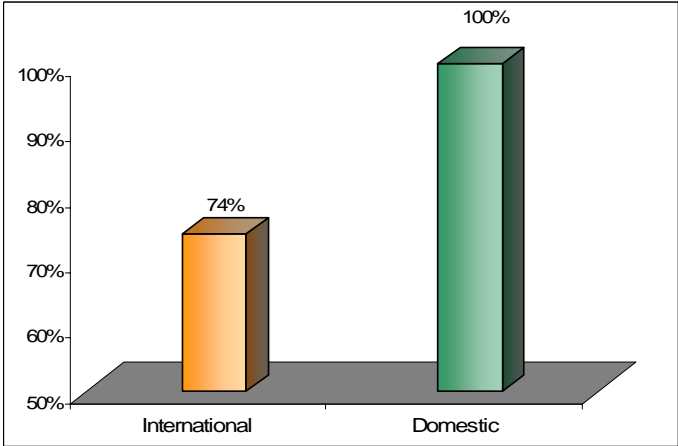
International and domestic call centres differ in many ways, an important one of which is the size of operations. As shown in Figure 1.4, international centres are, on average, seven times larger than domestic operations. While international centres average 741 employees per worksite, domestic centres average 104 employees. The size of call centres is important because it shapes the use of technology and allocation of labor. Large operations can adopt more standardized information technologies and realize economies of scale in the allocation of labor. However, large call centres typically are impersonal, hard to manage, and often experience higher levels of alienation or turnover on the part of employees. The small office environment of domestic centres may make it more difficult for them to enjoy scale economies, but does allow for close relationships among employees and managers and provides more opportunities for flexibility in workplace employment practices. These patterns are more evident in Section 2 of this report, where we turn to the adoption of technology, work design, and human resource practices.

Figure 1.4: Average Size of Call Centres



Most call centres are also part of larger corporations -- on average 87 percent of the call centres in this report. As shown in Figure 1.5, all of the domestic centres are all part of large corporations, and 74 percent of international centres are branches of larger corporations.

Figure 1.5: Call Centres as Part of Larger Corporations



Most centres are also relatively lean organizations, with a low ratio of managers to workers. Only about 10 percent of the workforce in both international and domestic centres is managerial. The span of control of supervisors averages 19 employees in international centres and 15 employees in domestic centres. The ratio of managers to supervisors is 1:4 in both.

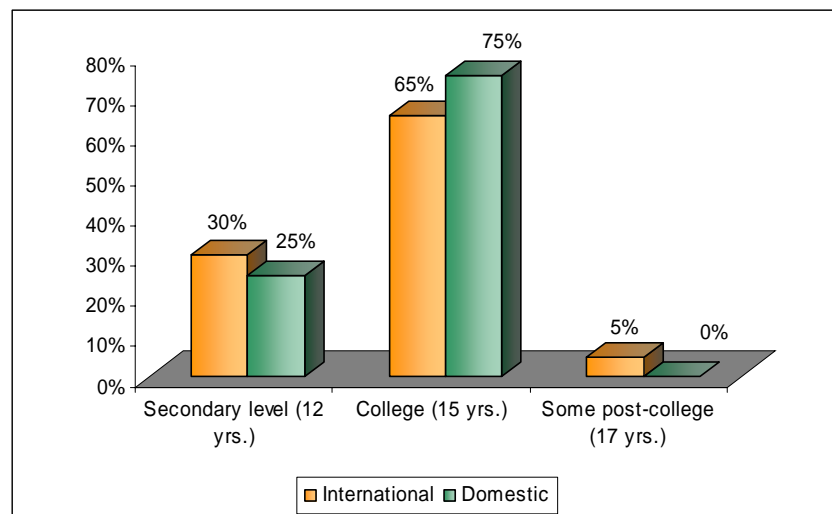
2.0 Call Centre Operations: Technology, Work Organization, & Human Resource Practices

Selection and Staffing Strategies

In this section, we examine the selection and staffing practices of call centres serving both the international and domestic markets. Selection and staffing practices reflect the explicit strategies and locational decisions of managers, but are also influenced by local labor market conditions and the demographic characteristics of the local labor force. Here, we review such demographic characteristics as education, and gender, as well as the use of alternative patterns for use of full-time, part-time, and temporary workers.

In this study, we asked managers to provide the education level of the ‘typical’ call centre employee. We defined typical as ‘half the workforce has a higher level and half has a lower level’. Managers in both international and domestic centres reported that the typical worker had about 15 years of education, or a basic Bachelor’s degree. The lowest educational profiles are almost equally distributed among domestic and international centres (an average of 12 years of education- a High School degree), while the highest levels of education are found solely in the international centres (17 years on average- typically a post graduate degree). Sixty-five percent of managers in international centres say that the typical employee has a Bachelor’s degree and another 5 percent say they employ people with post-graduate education (typically the technical services centres). A substantial minority (30 percent), however, rely primarily on individuals with secondary education only. These patterns are only slightly different for domestic call centres, as shown in Figure 2.1.

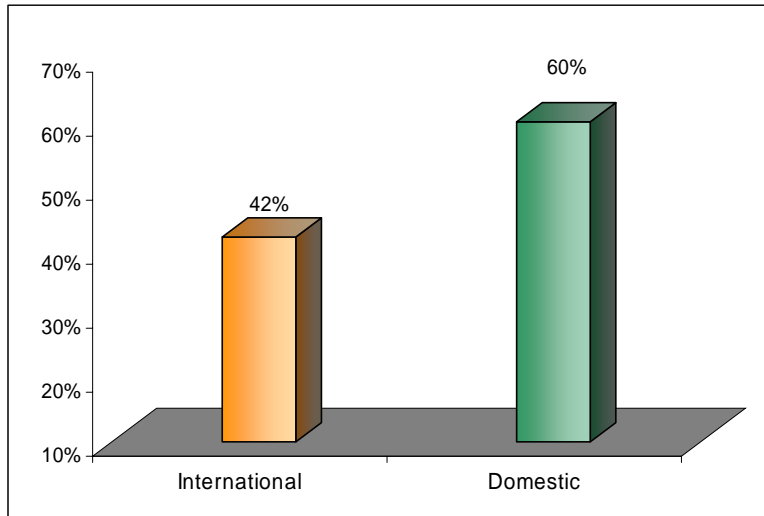
Figure 2.1: Education of the Typical Call Centre Worker



Women constitute 51 percent of the workforce in the call centres in this study, while men make up 49 percent. However, there are differences in this ratio when analyzed by the type of centre:

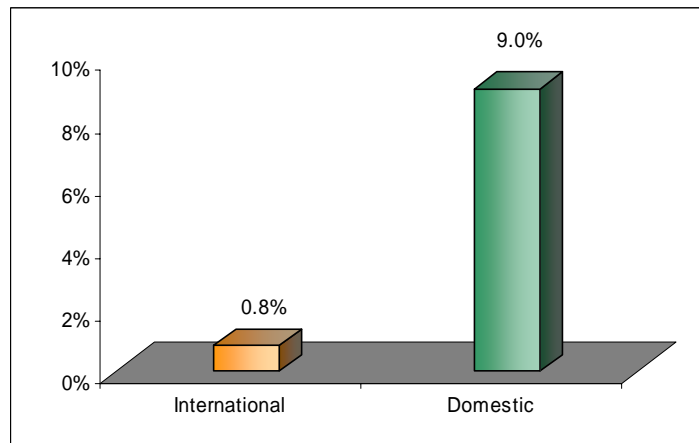
Women constitute 60 percent of the employees in domestic call centres and 42 percent of the employees in international call centres (Figure 2.2).

Figure 2.2: Percent of the Workforce that is Female



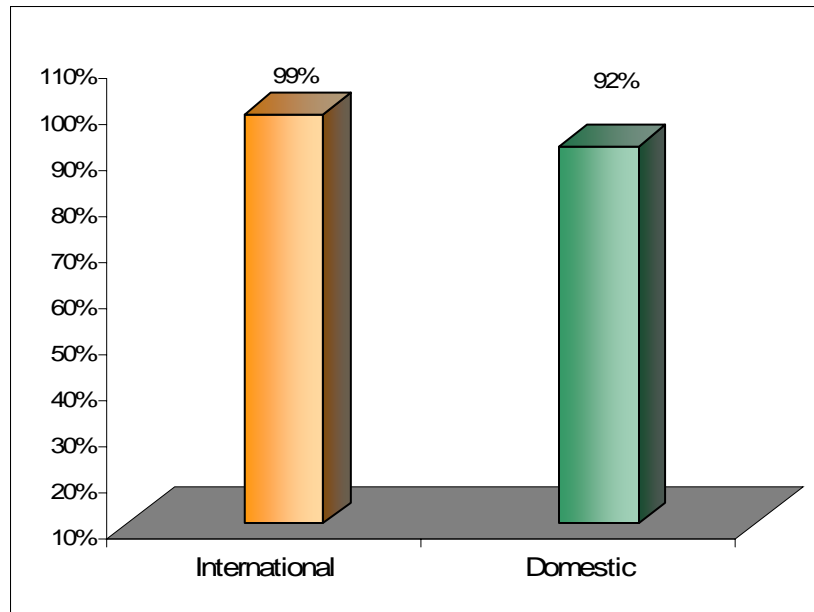
The use of part-time and temporary workers is extremely low in the Indian context. On average, part-time and temporary workers comprise 9 percent of the domestic call centre workforce and a meager 0.8 percent of the international call centre workforce in this study (Figure 2.3).

Figure 2.3: Average Use of Part-time and Temporary Workers



Another way to view staffing practices is to focus on the percentage of the workforce that is permanent and full-time. This represents the more traditional approach and provides a strong indicator to workers that their employment is secure. On average, 95 percent of call centre workers in this study hold permanent full-time jobs. Figure 2.4 shows that international call centres employ 99 percent of their workforce as full time hires while domestic call centres employ 92 percent of their workforce as permanent and full time hires.

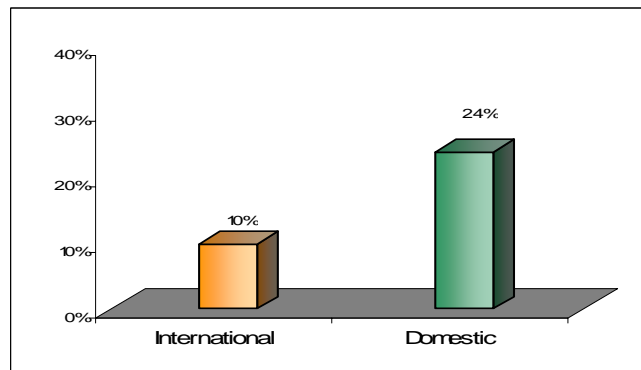
Figure 2.4: Percent of Call Centre Workforce that is Permanent and Full-time



How selective employers are in their hiring practices may be one indicator of whether they are attempting to compete on the basis of quality service. The ‘select rate’ is the percentage of employees who are actually hired compared to the total pool of applicants. The lower the select rate, the more selective the employer is in hiring new applicants. The select rate, however, is also highly influenced by labor market conditions. The rapid growth of call centres in India has meant that demand is outstripping supply in some areas. In these cases, the percentage of applicants actually hired is likely to be relatively high.

In this study, we found that the average select rate for call centres is 17 percent, about 1 worker for every 5.8 applicants. When disaggregated by type of centre, however, we find that international centres are considerably more selective in their hiring -- with a select rate of 10% or 1 worker for every 10 applicants – compared to domestic centres, with a hiring rate of 1 worker for every 4 applicants (Figure 2.5).

Figure 2.5: Select Rate: Percent of Job Applicants Hired



In sum, the Indian call centre workforce represented in this report is college-educated, works full-time, and is roughly evenly divided between men and women. Almost thirty percent of centres, however, rely on high school educated workers. There are also important differences in the staffing patterns of international and domestic centres, with the former more selective in their hiring practices, using fewer part-time employees, and hiring more men than women. These patterns may reflect the higher wages and investments in language training needed for serving international customers.

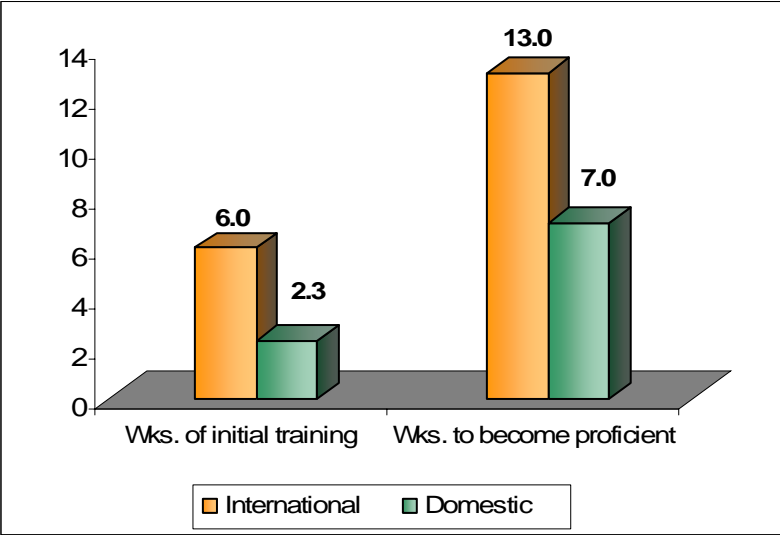
Skills, Training, and Technology

As indicated above, the majority of call centre workers in this study have at least some college education. However, beyond a general education, employees need additional training. The most frequently cited need in international call centres is for language neutralization. However, beyond this requirement, employees also need to develop specific knowledge of the products they service and sell, the characteristics of their customer base, and the technical systems they manage. These skill sets and knowledge are often referred to as ‘firm-specific human capital.’ Firm-specific human capital is important because call centre employees manage the boundary between the firm and the customer, and they shape the customer’s buying behavior. In order to persuade customers to buy a firm’s products and services, employees need a clear understanding of specific product features, service agreements, pricing, packaging, promotions for particular customer segments, and legal regulations. They need customer-specific knowledge regarding the demand characteristics of particular individuals or segments and how to use that knowledge to negotiate customized offerings. Employees also require specific knowledge of the structure and content of the firm’s information systems, the work flow from point of sales to delivery, and how the company’s processing capabilities affect each customer and product offering.

We asked managers to report the number of weeks of initial training the typical new hire receives. On average, call centres reported that they provide 4.1 weeks of initial training to new employees. However, while international call centres provide on average 6 weeks of initial training to its employees, domestic centres provide approximately 2.3 weeks of initial training (see Figure 2.6). An important reason for this difference is the need for language neutralization in the international centres but not in the domestic centres.

How long does it take a newly hired employee to become proficient on the job? Managers estimate that it takes on average of 10 weeks to become proficient in these jobs, however, once again, there is a significant difference between centres serving different markets. Employees in international centres take about 13 weeks to become proficient on the job while their peers serving the domestic market take about half that time and are proficient in 7 weeks. This issue is important in call centres because they typically have high turnover rates. The longer it takes for employees to become proficient, the greater the cost of lost productivity associated with high turnover. We return to these issues in later sections of this report.

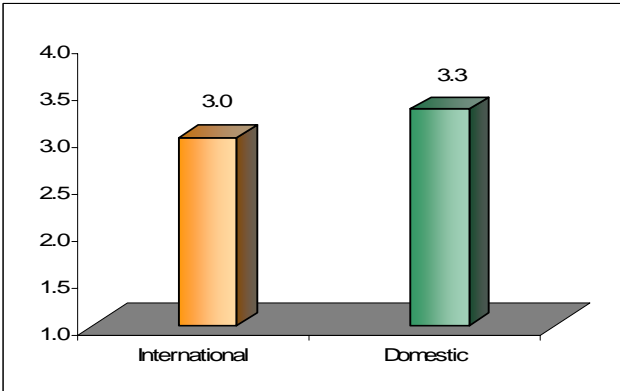
Figure 2.6: Weeks of Initial Training & Weeks to Become Proficient in Job



We expected that on-going training would be an important part of call centre management practices because the products, technologies, and services that employees handle are often changing at a rapid pace. Advances in information systems require employees to continually learn new software programs and databases. New technologies have also reduced product life cycles so that the features, packaging, and marketing of products and services are constantly changing. Thus, employees who provide service and sell these products should need continuous learning and upgrading of their knowledge and skills.

Our survey shows that on-going training is an important part of workplace practices. On average, call centres provide about 3 weeks of on-going training each year, and this does not vary substantially across international versus domestic centres (Figure 2.7). This represents a considerable investment – over 5 percent of an employee’s annual work time if calculated on a 52 week annual cycle. However, it is not clear whether this level of investment is sufficient, given the high demand for new skills and information-processing entailed in these jobs.

Figure 2.7: Weeks of On-Going Training

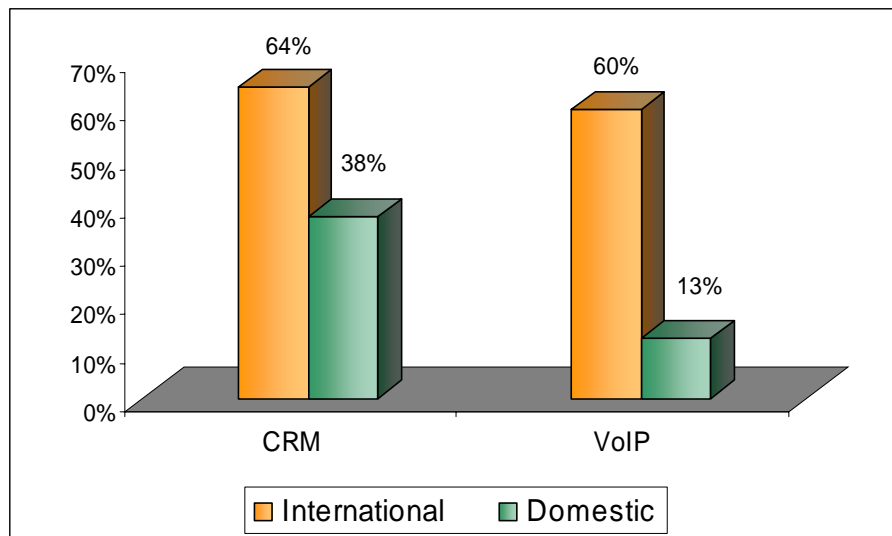


This also suggests that formal education outside of the workplace is a more important differentiating factor for the human capital of employees in these segments than training on the job.

With respect to information systems, the patterns that differentiate international and domestic centres also seem to apply to call centre technologies. In general, international centres are more likely to have more advanced technologies and more and varied types of call centre technologies.

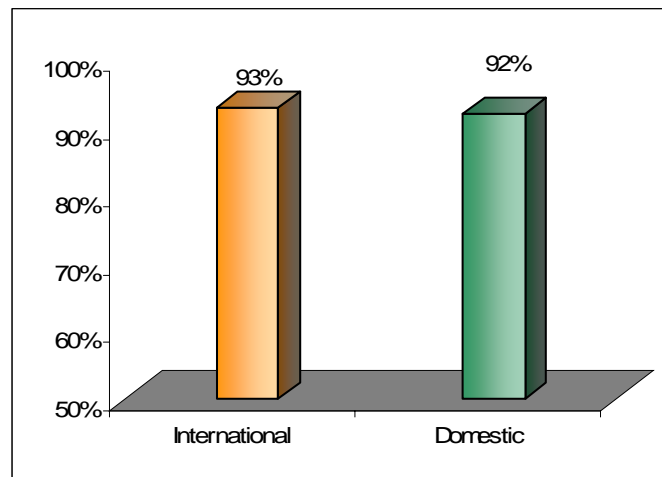
For example, 64 percent of calls in international centres are handled through interactive voice recognition units, compared to 30 percent in domestic centres. Similarly, Customer Relationship Management (CRM) technology and Voice over IP (VoIP) are much more prevalent among international call centres (with 60 percent or more using these technologies) than among domestic centres (with 38 percent using CRM and only 13 percent using VoIP) (see Figure 2.8).

Figure 2.8: Percent of Centres Using CRM & VoIP



Use of electronic performance monitoring is another technology that is used extensively in call centres. Used for quality control, electronic monitoring often elicits strong negative reactions from employees because they feel they are not trusted by management. They may feel they are continually exposed at work and lack the kind of privacy normally found in work settings. A substantial body of research has shown that continuous electronic monitoring is associated with higher job-related stress, emotional exhaustion, and burnout (Carayon 1993; Holman, Chissick, and Totterdell 2001), which may negatively affect productivity. Electronic monitoring is extensively used in both international & domestic centres, with implementation rates of 93 percent and 92 percent respectively (Figure 2.9).

Figure 2.9: Percent of Time Electronically Monitored

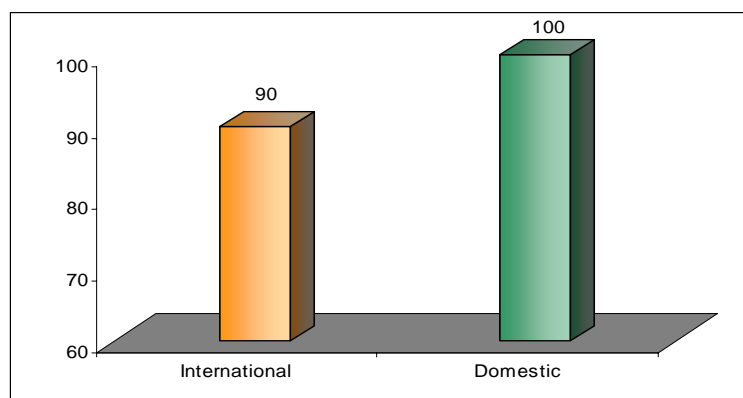


The Organization of Work: Discretion, Participation, Teamwork

The organization of work in call centres focuses on the individual employee as the unit of analysis. Efficiency is measured by call handling time or the number of customers served per employee per day. The use of these metrics is to maximize individual efficiency, and by doing so, revenues per call.

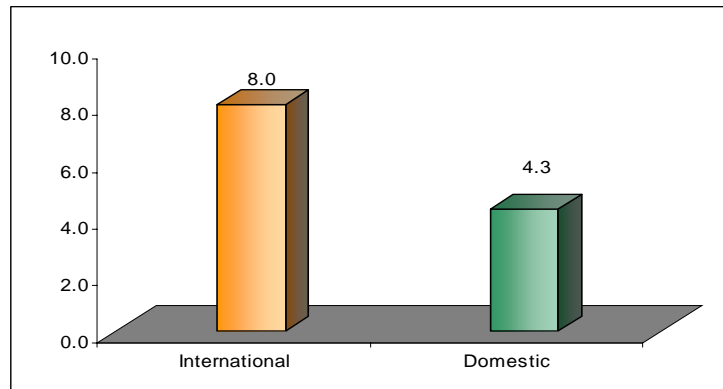
The work intensity in domestic centres is somewhat higher than in international centres. Call centres managers reported serving an average of 109 customers per employee per day. However, the typical (or median) centre serves fewer: 90 customers per employee per day in international centres and 100 in domestic centres (see Figure 2.10).

Figure 2.10: Customers Per Employee Per Day



The average call handling time for customers shows a similar pattern, with a 4.3 minute call length in domestic call centres and 8 minutes in the international centres (Figure 2.11).

Figure 2.11: Average Call Handling Time per Customer

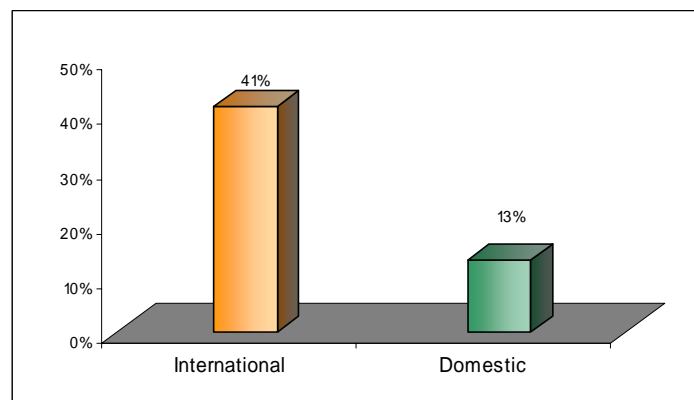


With new technologies such as electronic customer relationship management and web-enablement, employees have greater need for discretion – to utilize the information in databases and to react quickly to customer preferences. However, our survey suggests that most call centres continue to place substantial limits on employees’ ability to use their discretion or solve problems on-the-job.

One indicator of discretion at work is the extent to which employees are required to use scripted texts. The decision to use predetermined scripts in call centre operations is based on a number of considerations, including concern to control employee interactions with customers, how easy it is to standardize a certain kind of call, and the ability to rely on other forms of performance management.

Twenty-seven percent of call centres in this study rely heavily on scripted texts. However, there are substantial differences across centres, with 41 percent of international call centres using them extensively, but only 13 percent of domestic call centres (Figure 2.12). This suggests that script use may be driven by multinational clients, who may not be comfortable with allowing subcontractors to have discretion over they respond to international customers.

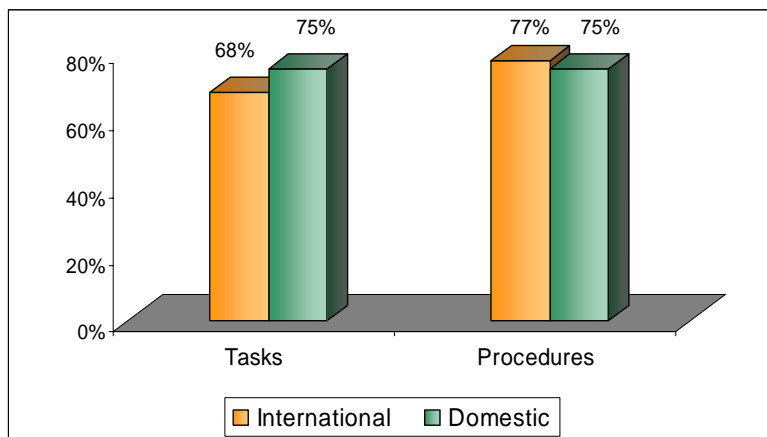
Figure 2.12: Percent Reliance on Scripted Texts



We asked managers a series of questions about how much discretion employees have over particular aspects of their work, including their daily tasks, work methods, and interactions with customers. We asked them to rate the discretion of their employees on a scale of 1 to 5, where 1 is none and 5 is complete. We then took the average of managers who responded 1 or 2 (none or very little) on the scale.

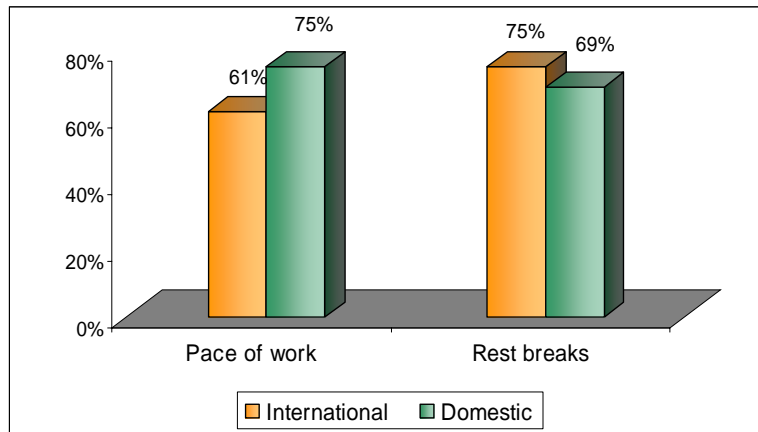
We found that call centre workers generally have very low levels of discretion at work. For example, on average, 71 percent of managers said that their employees had little or no discretion over the daily tasks they do, and 76 percent said they had little or no discretion over their work procedures. These patterns do not vary substantially across international and domestic centres, and they are suggestive of the overall levels of standardization in call centres (Figure 2.13).

Figure 2.13:
Percent with Little or No Discretion over Work Tasks, Procedures



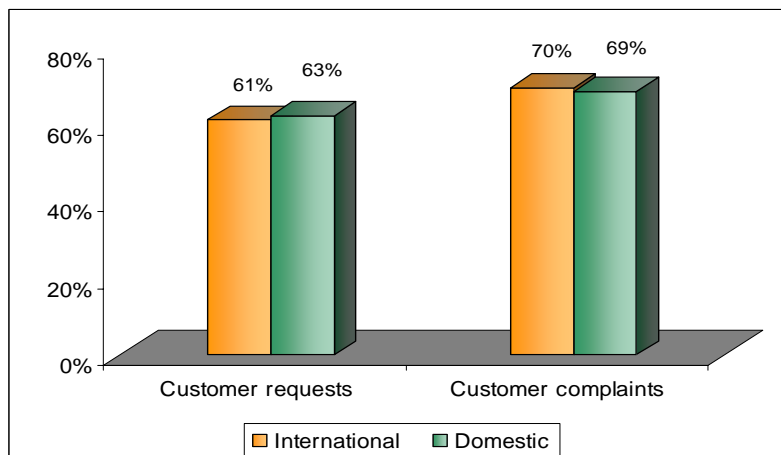
A similar pattern occurs for employee discretion over the pace of work and scheduling of rest breaks. While 61 percent of international call centre managers say employees have little or no discretion over the pace of work, the comparable figure for domestic centres is 75 percent. For rest breaks, the comparable figures are 75 percent and 69 percent respectively (see Figure 2.14)

Figure 2.14:
Percent with Little or no Discretion over Pace of Work, Rest Breaks



The ability or discretion to handle unexpected customer requests or complaints shows consistent patterns: 62 percent of managers say that their employees have little or no discretion to handle unexpected requests that arise in the course of customer calls and 70 percent say there is little discretion to handle customer complaints. Again, there are no significant differences between international and domestic centres on these dimensions of work (Figure 2.15).

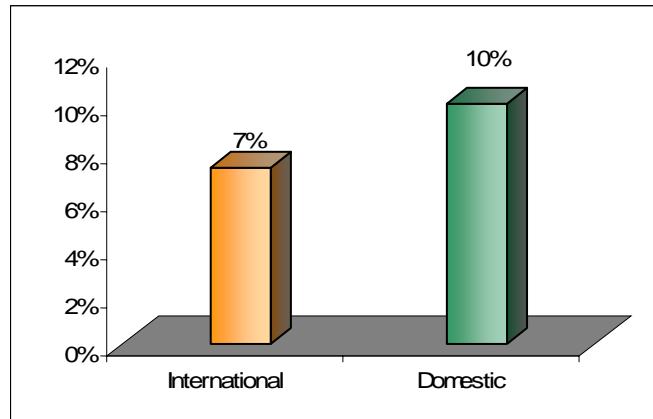
Figure 2.15:
Percent with Little or no Discretion to Handle Customer Requests, Complaints



Employee participation in management decisions and problem-solving groups has long been viewed as important to improving employee morale and performance as well as knowledge-sharing. Offline problem-solving teams – such as quality improvement teams that meet on a regular basis to solve problems – are example of such measures. Both international and domestic call centres reported very low numbers on this dimension. Only 7 percent of employees in international call centres are part of problem solving groups while only 10 percent of employees

in domestic call centres are part of such groups. These low figures are consistent with managers' answers to questions about employee discretion.

Figure 2.16: Percent of Employees in Problem Solving Groups



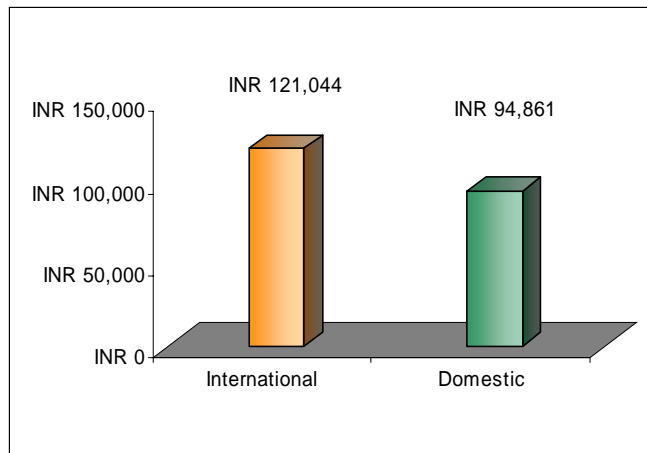
Use of problem-solving groups and off-line meetings provide employees with the opportunity to solve specific problems as well as to discuss and learn about the on-going changes in products, technologies, procedures, regulations, and customers they serve. They also provide employees with some relief from the tedium of continuous phone work. Recent research has shown that the use of problem-solving groups and teams in call centres is associated with lower quit rates and higher sales growth (Batt 2002). In a recent analysis of call centre data in the U.S., we found that workplaces where more than 30% of workers are involved in problem solving teams had quit rates that were almost 50 percent lower than those that did not use such groups (Batt, Doellgast, and Kwon 2004).

Compensation for Employees and Managers

To measure pay levels, we asked managers to report the annual pay of the 'typical' or median employee in the call centre – meaning that about half were paid more and about half were paid less. Annual pay was defined to include base pay plus all pay for performance, such as individual commissions, group bonuses, and profit sharing, but excluded any overtime pay.

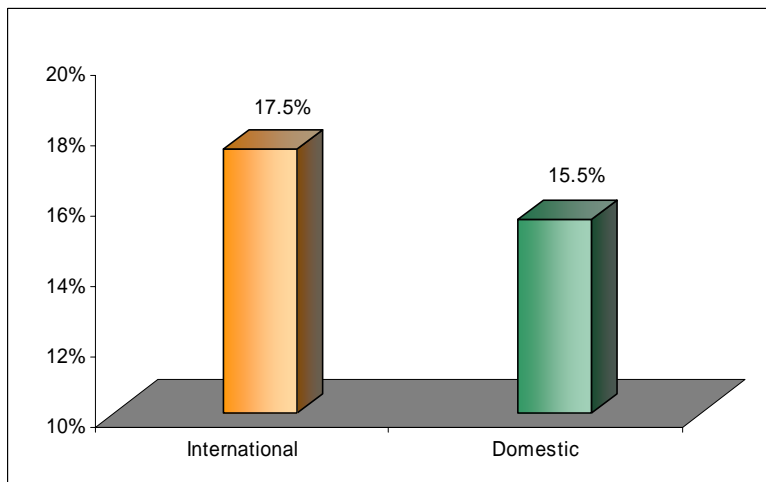
On average, managers reported that the typical customer service agent earned INR 114,380 in 2004. This translated into \$2,539 in US\$ (2004). Pay levels were 30 percent higher in international centres (INR 121,444, US\$2,687) compared to domestic centres (INR 94,861, US\$2,108) (Figure 2.17).

Figure 2.17: Average Annual Pay of the Typical Call Centre Employee



We also asked managers about their pay strategies in terms of incentive pay or pay for performance. We found that there was considerable use of performance-based pay in both the international and domestic centres. While 17.5 percent of pay is performance-based in international call centres, the comparable figure is about 15.5 percent in domestic call centres (Figure 2.18)

Figure 2.18: Percent of Pay that is Commission-based

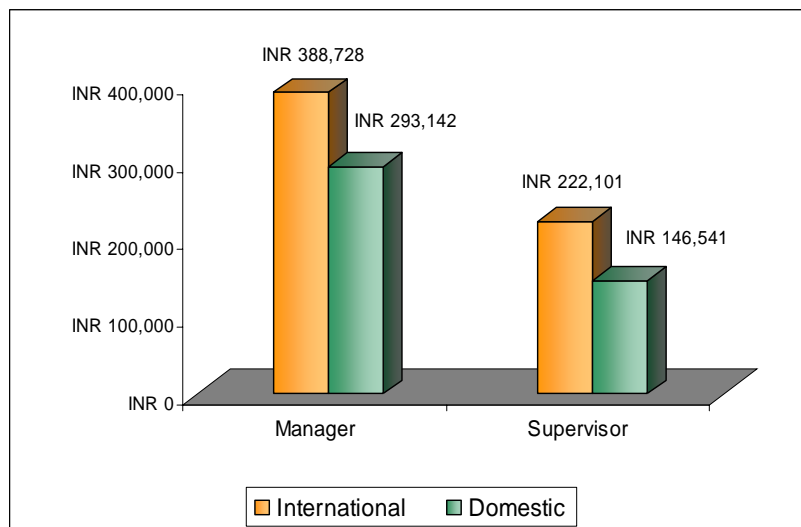


The performance of call centres depends importantly on the skills, abilities, and motivation not only of the frontline workforce, but also of supervisors and managers. The managers of call centres in this study have relatively high levels of formal education and experience in the industry. Over two-thirds of the managers in this study reported having a post-graduate college

degree. Almost one-third of the managers have more than ten years of tenure with the same company, while another 62 percent have between one and ten years of service.

Turning to managerial, we found that call centre managers earned an average annual salary of INR 368,722 (US \$8,194), with an average of INR 388,728 (US \$8,638) in international centres and INR 293,142 (US \$6,514) in centres serving the domestic market. For supervisors, pay averaged INR 191,405, with INR 222,101 in international centres and INR 146,541 in domestic centres (See Figure 2.19).

Fig 2.19: Average Annual Pay of Managers and Supervisors



Turnover and Employment Stability

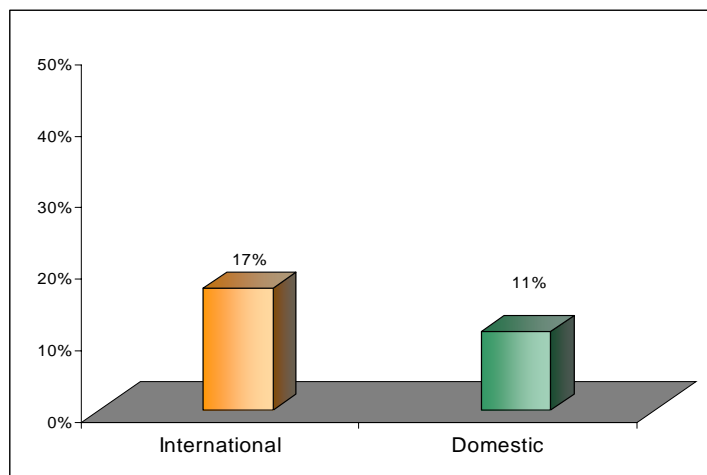
Turnover is a major problem for call centre managers. Anecdotal reports are that it ranges from 30 to 50 percent annually in the industry, although it can be much higher. This level of turnover imposes high costs of recruitment and screening on call centres, and managers find themselves in a perpetual search for additional workers. In this study, managers estimated that the costs to recruit, screen, and train each new employee averaged over INR 26,000. These costs do not take into account the lost productivity of new employees.

One way to improve employment stability and benefit from the skills of experienced employees is to offer promotional opportunities to employees. Because call centres are flat organizations with few levels of management, opportunities for better jobs are often limited. However, some call centres have found creative ways of keeping experienced employees and using their skills more effectively. One approach is to have them handle more complex calls or complaints from irate customers. Another is to designate them as coaches or on-the-job trainers, pairing them with new employees. A third is to use skill-based routing systems to create tiers of jobs, with increasing levels of complexity. A fourth is to offer them opportunities for promotions outside of the centre but inside the larger organization – in exchange for serving a minimum period of time as a frontline customer service agent.

Managers in our survey report that they promote about 15 percent of their employees to higher positions in the organization International call centres reported promoting 17 percent of their employees to higher position while domestic centres reported promotion rates of 11 percent (see Figure 2.20).

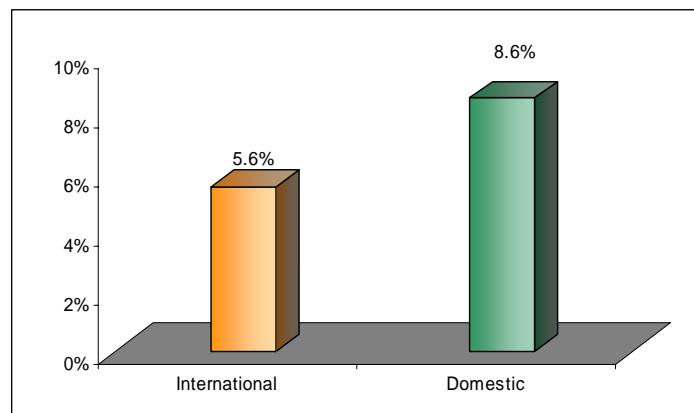
Beyond the call centre, however, only about 1 percent of employees are promoted to higher positions in the larger organization. As anecdotal evidence has suggested, this data confirms that call centre jobs typically do not serve as entry-level positions for careers outside of the centres in the larger corporation.

Figure 2.20: Percent of Employees Promoted to Higher Positions in Call Centres



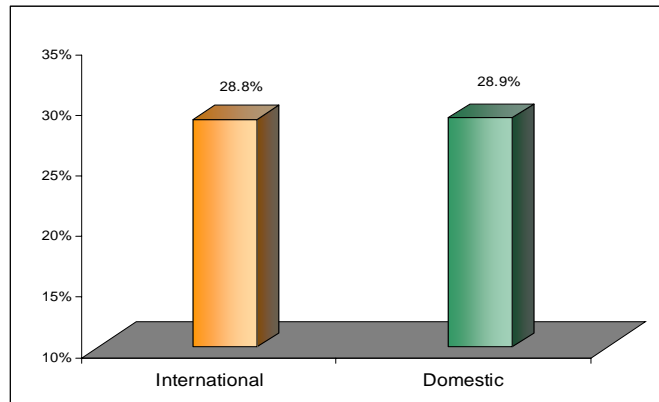
One indicator of worker dissatisfaction is absenteeism rates. In this survey, we asked managers to report the percent of the workforce absent on a 'typical work day'. While the reported rate of absenteeism was 5.6 percent in the international centres, it averaged 8.6 percent in the domestic centres (Figure 2.21).

Figure 2.21: Percent of Employees Absent on a Typical Day



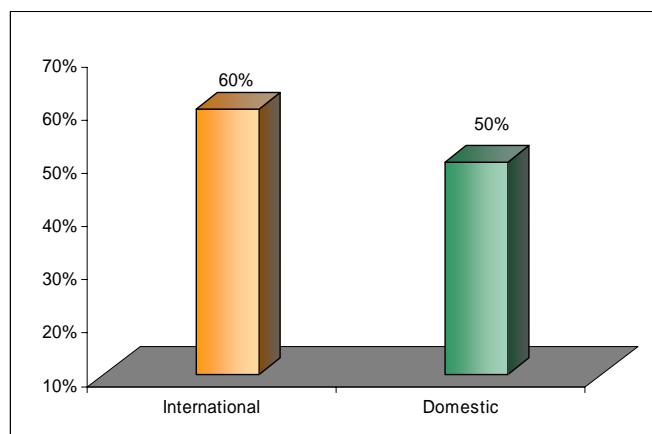
Quitting often becomes the preferred option for call centre workers who are dissatisfied with their jobs and don't see prospects for better opportunities in their current organizations. Managers reported that the average annual turnover rate in their centres (including quits and dismissals) survey was 28 percent, with little variation between international and domestic centres (see Figure 2.22). These rates, however, probably understate the level of turnover in the industry as they are lower than those reported in many anecdotal sources.

Figure 2.22: Annual Turnover



Turnover and quit rates are related to tenure rates. Those centres with high rates of churn have low rates of tenure. However while both types of centres experienced almost the same level of annual turnover, domestic centres had a lower percentage of employees with less than a year's experience at the company (50 percent) as opposed to employees in the international call centres (60 percent). (Figure 2.23).

Figure 2.23: Percent of Employees with less than 1 Year of Tenure



How Management Practices Affect Turnover and Performance

The high rates of turnover and absenteeism in the call centre industry not only increase the costs of recruitment, screening, and training, but also reduce productivity. As indicated above, managers of international call centres reported that it takes over three months for an employee to become proficient in call centre work. Yet if turnover rates average 30 percent annually, then average workers are quitting their job just about the time they become proficient at it.

Social science research on the determinants of turnover is well established. That research shows that jobs characterized by high levels of routinization and standardization result in high levels of boredom, dissatisfaction, low employee morale, and high quit rates; these, in turn, translate into poor work quality. Where customer interaction is part of the production process, service quality particularly suffers (Heskett and Schlesinger 1997; Batt 2002; Batt and Moynihan 2002).

The data in this report reflect this pattern of relationships – between high levels of routinization and turnover. However, what is particularly striking in the Indian case is that work and employment systems exhibit quite contradictory characteristics. On the one hand, employees have high levels of formal education and receive pay that is considerably above the market wage. They have the skills and incentives to perform their work effectively. On the other hand, these same highly qualified individuals receive few or no opportunities to use those skills because the work is designed to limit independent decision-making or innovative problem-solving. Thus, employers are paying for skills without making effective use of them.

One way to reduce turnover and increase service quality is to create jobs with greater discretion and less scripting and electronic monitoring so that employees can engage with customers and respond more directly to their requests. Several studies of call centre workers have found that routinized work design and high levels of electronic monitoring lead to stress, anxiety, depression, emotional exhaustion, and burnout (Carayon 1993; Holman 2001; Holman, Chissick, and Totterdell 2002; Deery, Iverson, & Walsh 1999; Singh 2000). Deery et al. (1999) found that customer interactions, scripts, routinization, workloads, and managerial emphasis on quantity predicted emotional exhaustion, which in turn predicted absenteeism. Another empirical study examined the performance effects of organizing work in self-directed groups in call centres. After controlling for labor costs, it found that sales productivity was 25 percent higher in the self-directed groups compared to traditionally-supervised groups (Batt 1999).

These strategies not only reduce boredom and turnover at work, but also provide opportunities for learning – employees share strategies for improving service quality, handling difficult customers, or achieving higher sales rates.

A more systematic approach to reduce turnover and improve performance is to adopt a series of coherent work and human resource practices that, taken together, create a system that improves the quality of jobs as well as the quality of service. These systems, often referred to as high involvement systems, invest in the skills and abilities of the workforce, design work to provide opportunities for discretion and collaboration among employees, and provide incentives such as high relative pay to induce effort. Research based on call centres in the United States shows that use of these systems is associated with significantly lower quit rates and higher sales growth

(Batt 2002). Call centres adopting these practices have about half the turnover and absenteeism of those that do not adopt these practices (Batt, Doellgast, and Kwon 2004).

One important question is whether the benefits of investing in high involvement systems outweigh the costs. A number of empirical studies of call centres have shown that they do. A more recent study examined 64 call centres serving the mass market in one U.S. multinational. Those centres with higher investments in training, more discretion at work, and greater use of incentives had significantly higher service quality, and in turn, substantially higher net revenues (Batt and Moynihan 2004).

Overall, these findings suggest that a transactional approach to customer service doesn't fit the complexities of today's markets – with constantly changing products, features, pricing, and service options. Firms that compete on the basis of mass customization or service bundling appear to need a skilled and trained workforce with the discretion and motivation to provide quality service.

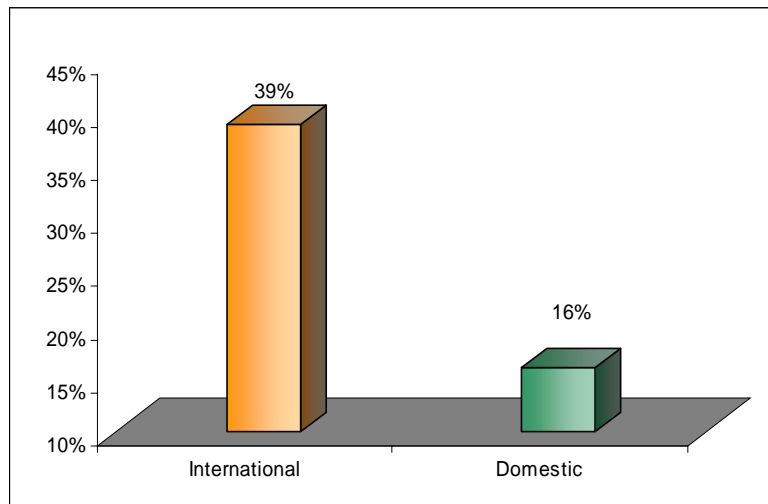
3.0 The Institutional Environment: Locational Decisions and Employer Networks,

Employer Networks: Recruitment, Selection, and Training

Call centres, no matter what country they are located in, tend to be clustered in particular cities – ‘call centre cities’. India is no different, and the cities included in this study are Bangalore, Bombay, Chennai, Delhi, Hyderabad, and Kolkata. Clearly, a central factor influencing the choice of location is the availability of the IT infrastructure for call centre operations. However, perhaps equally important are the local labor market conditions. In our survey, 55 percent of managers cited the availability of a skilled workforce as the most important factor for the particular location of their call centre.

Turnover and labor scarcity are central problems for Indian call centres to solve, and the labor market in popular locations is becoming “tapped out” or “saturated” as centres compete for a shrinking pool of potential employees. One measure of labor market competition is the percentage of workers at any given centre who have prior work experience at other centres. This also provides an estimate of how much ‘poaching’ of workers between call centres is occurring. We found that among international centres, but not domestic centres, the rates of poaching are quite high. Managers of international centres reported that fully 39 percent of their employees had been recruited from other call centres in the locality (See Figure 3.1).

Figure 3.1: Percent of Employees Who Have Worked at another Call Centre

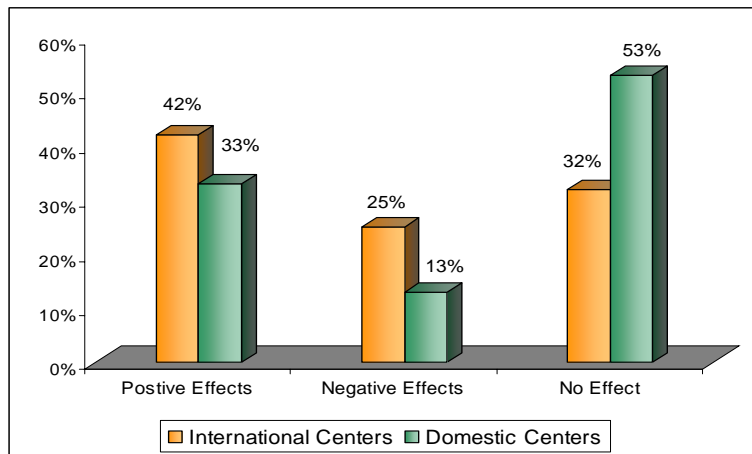


Managers hold differing views on the benefits and costs of locating close to their competitors. Managers of international centres are quite divided on the issue. While 42 percent say that locating near other call centres is beneficial for recruitment and retention, 25 percent say it is

negative, and 35 percent say it has no effect. By contrast, among managers of domestic centres, the majority (53 percent) say that co-location has no effect on their staffing.

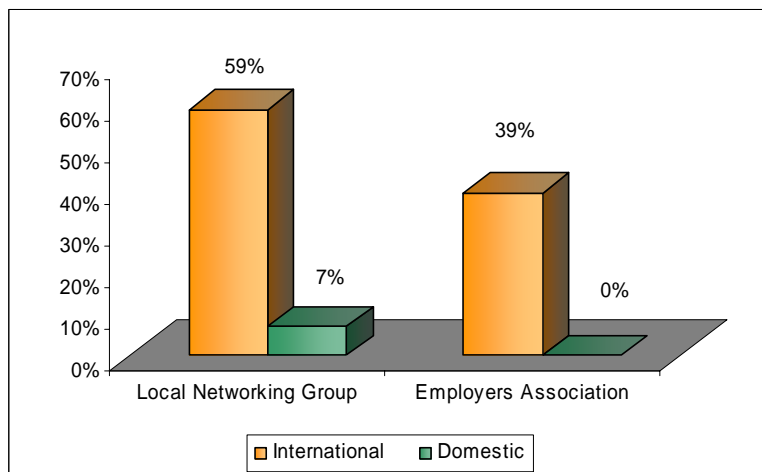
These reports also vary substantially by city location. In Kolkata, where most of the domestic-oriented call centres in this study are located, the majority of managers report no effects of location on recruitment. In Delhi and Hyderabad, the largest group of managers respond that city location has no effect. In Bangalore and Bombay, by contrast, the majority of managers report that their location in call centre cities is a positive advantage for recruitment (Figure 3.2).

Figure 3.2: Turnover & the Effects of Other Call Centres on Recruitment & Retention



Local call centre networking organizations & employers associations are also active in most cities. These groups range from advisory committees to informal groups that allow managers to exchange best practices and pool training resources. Managers in international centres encourage these practices, with 59 percent reporting involvement in local networking group and 39 percent reporting involvement in an employers association (Figure 3.3).

Figure 3.3: Percent of Managers Who Participate in a Networking Group

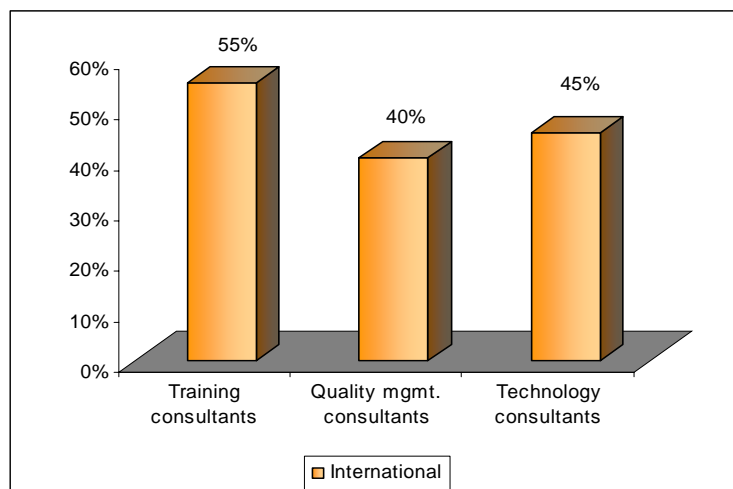


It should be noted that it is only the international centres that initiate and encourage participation in the employers association. Among managers in domestic centres, by contrast, just 7 percent report involvement in local networking groups.

Overall, among managers surveyed, 31 percent participate in a local networking group and report that the primary benefit of these groups is the opportunity to exchange business experience and advice with other firms. They appear to be important resources for establishments with a broader organizational base, helping local managers to develop strategies that draw on the strengths of a local labor market.

Another important source of expertise is found in the consulting world. We asked managers about the extent to which they rely on consultants. International/Global companies while setting up operations in India, are meticulous in ensuring all systems and processes keep to their established internal standards before the centres commence operations. Working in a different business and cultural environment demands a degree of modification of practices and processes to suit the local conditions. Hence these companies look to a number of external resources in many areas to help them successfully set up and launch operations. Three of the prime areas that these centres seek help from are in (1) Training (2) Quality Management and (3) Technology, As can be seen in figure 3.7 – 55 percent of international centres reported the use of training consultants, 45 percent of the centres reported use of technology consultants and 40 percent of centres reported the use of quality management consultants.

Fig 3.4: Percent of International Call Centres using Consultants



In summary, we find that call centres in this study draw on a variety of institutional relationships and resources. Many of these occur within the regions where call centres are concentrated, including participation in networking groups and employers associations. Such joint efforts will be valuable resources as the industry continues to develop in the future.

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