

*Executive Summary*

**The U.S. Call Center Industry 2004:  
National Benchmarking Report  
Strategy, HR Practices, & Performance**

**The Global Call Center Industry Project**

**Rosemary Batt, Virginia Doellgast, and Hyunji Kwon  
Cornell University**

## ***Introduction***

This national benchmarking report represents the first large scale survey of management practices and outcomes in the U.S. call center industry. This industry has grown dramatically over the last decade, employing an estimated 3 percent of the country's workforce. This U.S. study is part of a larger global call center industry project. It is the first in a series of national reports on the call center industry in over 15 countries worldwide.

In this analysis, we present important benchmarking data for managers in over 50,000 call centers in the United States. We analyze data for centers in a wide range of industries -- financial services, telecommunications, retail, IT and technical support services, hospitality, manufacturing, print and media, and public and non-profit sectors. In addition, it compares management and employment practices in centers serving different customer segments -- from those in the mass market to those serving large business clients.

We also discuss similarities and differences between 'in-house' centers -- those that serve a company's own customers -- as well as subcontractors or 'outsourced centers' -- those serving the customers of other companies. In-house centers comprise at least 85 percent of the call centers in the U.S., while outsourced centers comprise 15 percent or less. While off-shoring of service work has received considerable media attention and public debate, overseas call centers currently represent only a fraction of the worksites serving U.S. customers.

In this study we examine such questions as:

- How do call center management practices differ across industries and sectors?
- What employment practices contribute to lower turnover and absenteeism?
- What types of new technologies and innovative work practices are being adopted?
- What are the pay levels and compensation strategies for employees and managers?
- To what extent do economic development agencies, employer networks, and training institutions provide support for call centers?

We also present findings on what management practices lead to better performance. Achieving competitive success in call centers is a difficult task. Managers attempt to achieve quality and customer service while also 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. It grows out of a multi-year study of organizational change in the industry, and is based on extensive field study, site visits, interviews, and surveys conducted by the research

team at Cornell University. Managers at 472 worksites across the country gave generously of their time during a lengthy telephone survey.

While this report is based on data collected among workplaces in the U.S., it has implications for the global call center industry. The U.S. has been a leader in the development and diffusion of call center technologies and management models. Thus, at least some of the patterns we find here are likely to be found in other countries that are shifting service and sales operations into remote, technology-mediated centers.

We would like to thank the Alfred P. Sloan Foundation, especially Gail Pesyna, for generous funding and support for this study. The survey was ably administered by the Survey Research Institute at the Industrial and Labor Relations School, Cornell University. The executive director, Yasamin Miller, along with Erik Nisbet and Jose Delgado gave countless hours to ensure the accuracy of the data. Thanks to *Call Center Magazine* for support and to Eileen 'Turtle' Parzek ([turtle@sohoitgoes.com](mailto:turtle@sohoitgoes.com)) for graphic design and report publication. Thanks also to the managers in the industry who gave generously of their time to complete the survey. For additional copies, contact Rosemary Batt, [rb41@cornell.edu](mailto:rb41@cornell.edu).

## *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
- Use of performance-based pay
- Wages, benefits, and total compensation
- Institutional supports, such as local government and training programs, and employer networks
- Union and non-union work practices

We compare call centers in:

- Different industries
- Different customer segments
- In-house and out-sourced locations
- Distinct work functions, from telemarketing to IT help desks.

### *What we found...*

#### *Industry & organizational characteristics*

- ❑ *In-house and outsourced centers:* In-house call centers constitute 86% of the market while outsourced centers comprise 14%.
- ❑ *Scope of call center markets:* The typical call center in this study serves the national market, rather than a local, regional, or international one. The exception is the telecommunications industry, where centers remain primarily local or regional in scope.

- ❑ *Business strategy:* The most popular business strategy reported by managers is service differentiation, followed by one-stop shopping, and customer loyalty.

- ❑ *Management hierarchy:* Call centers are flat organizations, with management averaging only 16% of the workforce.

- ❑ *Customer segmentation:* Segmentation strategies have continued to grow as the predominant approach to organizing call center distribution channels. Eighty percent of call centers in this study target a particular customer segment. The remainder takes a universal approach of serving multiple segments through the same channel.

- ❑ *Organizational size:* Call centers have been consolidating in recent years into larger and larger operations. The average size of call centers in this study is 289 employees. However, the size of the typical center in this study (that is, half are larger and half are smaller) is much smaller – 120 employees.

#### *Management strategies & practices...*

- ❑ *Selection:* Call center jobs are often viewed as low skilled and clerical, and the workforce is portrayed as young and unattached to the labor force. According to our survey, however, the age and education profile of call center workers is considerably higher. The typical call center worker in this survey is 30 years old and has one and a half years of college education.

- ❑ *Training:* Call centers provide an average of 4.2 weeks of training for new hires, with a range of 6 weeks in financial services and 2.4 weeks in outsourced and

retail centers. In addition, call centers provide about 2 weeks of on-going training for experienced employees each year.

- *New technologies:* Call centers are moving from voice-only channels to multi-channel centers. Eighty-five percent of centers in this study use fax and email; 56% use web-enablement; 50% use computer-telephony integration; 37% use electronic customer relationship management; and 21% use voice over IP.
- *Customers per employee per day.* Call center workers average about 75 customers per day, with a call handling time of 6.1 minutes per customer. The call load is higher than this average in outsourced and retail centers, and lower than this average in large business and IT service centers.
- *Work organization and teams:* Call center employees have quite low levels of discretion over daily tasks and the pace of work. The use of problem-solving groups and teams is also infrequent. On average, 36 percent of employees have some involvement in off-line problem-solving groups; 17 percent participate in self-direct work groups.
- *Pay levels:* The annual pay of the typical call center worker averages \$33,794, with a high of \$45,075 in centers serving large business customers and a low of \$25,529 in outsourced centers and \$25,021 in retail centers. Total compensation, including overtime pay and the cost of benefits, averages \$44,529, with a high of \$61,339 in large business centers and a low of \$30,447 in outsourced centers.
- *Pay for performance:* Individual commissions account for 10% of call center workers pay, on average. Total variable pay, including individual and group

incentives and profit sharing, makes up an average of 16% of annual pay – with a range of zero to 100%.

- *Investment in human resources:* Providing quality professional service can be accomplished through the adoption of ‘high involvement’ work practices in call centers. These practices include investing in skills and training, designing work that provides employees with discretion to meet customer needs, using problem-solving groups and self-directed teams, and adopting incentives such as high relative pay and employment security through permanent full-time staffing strategies.

We found that in-house centers targeting higher value added business customers and those providing business and IT services are most likely to take this high involvement approach.

Outsourced centers and those in the retail industry are the least likely to take a high involvement approach.

### ***What affects turnover & absenteeism?***

- *Turnover rates:* Total annual turnover (including quits, layoffs, dismissals, and retirements) averages 33% among call centers in this study. Outsourced call centers have the highest turnover rates (averaging 51%), followed by retail call centers (47%). Call centers serving large business or the telecommunications industry have the lowest total turnover, with 28% and 26% respectively.
- *Quit rates:* Annual employee quit rates average 14.3% among centers in this study, with the highest rates found in outsourced centers (27.8%) and retail centers (23.5%), and the lowest found in telecommunications

centers (10.4%) and large business centers (12.1%).

□ *Absenteeism rates:* Call centers average 6% absenteeism on a typical day, with the highest in outsourced (10%) and retail centers (9.3%) and the lowest in telecommunications call centers (4.8%).

□ *Teams and quit rates:* Call centers with at least 30 percent of the workforce in problem-solving groups have about 50% lower quit rates than those with less than 30 percent of workers in these teams (quit rates of 16.3% vs. 11.1%).

Centers with at least 30 percent of employees in self-directed work groups have 38% lower quit rates than those with less than 30 percent of workers in these teams (quit rates of 15.1% vs. 10.9%).

□ *High involvement practices and turnover:* Those centers that use high involvement practices have significantly lower turnover, employee quit rates, and absenteeism than centers that take a more standardized, production line approach to services.

Total annual turnover averages 45 percent in centers that use a production line approach to service compared to 25 percent in centers taking a high involvement approach. Employee quit rates average 23 percent in the production-line centers versus 9 percent in the high involvement centers. The comparable figures for daily absenteeism are 9 percent and 5 percent respectively.

Thus, despite the fact that high involvement practices are more likely to be adopted in centers serving business or high valued customers, we found that these practices lead to better organizational performance in centers serving the mass market as well.

These findings suggest that the production line 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.

□ *Unions, turnover, & absenteeism:* Non-union call centers have twice the turnover rates of union centers in comparable markets: 33% compared to 17%. Non-union centers have over 2.5 times the quit rates of union centers: 16 % compared to 5.9%. There are no significant differences in absenteeism between union and non-union centers.

□ *Factors predicting wage levels in call centers:* We analyzed factors associated with higher median annual pay for call center employees, taking into account the industry and customer segment served, the education level of the workforce, and human resource practices used.

After taking all of these factors into account, we found that employees in large business centers earned an average of 23% more than those in residential service centers, and 17.8% more than those in small business centers. Small business center service agents enjoyed a 5.5% premium over those working in mass market service centers. Union workers earned 17.8% more than their non-union counterparts. In telecommunications services, workers in the wireline industry segment earned 14.6% more than their counterparts in the cable TV industry segment.

Turning to human resource practices, we found that every additional year of education was associated with 6 percent higher wages. Call centers with a higher percent of women in the workforce paid significantly lower wages. Those centers that made greater use of self-directed work teams and hired permanent full-time workers (rather than part-time and contingent) also paid higher annual wages.

### ***Regarding managerial employees...***

- *Supervisor's pay:* Supervisors average \$48,462 in annual pay, including performance based pay. Their salary ranges from a low of \$36,159 in outsourced centers to a high of \$58,849 in centers serving large business.
- *Managerial pay:* The typical call center manager receives an average salary of \$61,763 per year, with a low of \$49,884 in outsourced centers and a high of \$69,543 in centers serving large business.
- *Unions and managerial pay:* Supervisors and managers in union call centers make considerably more than their non-union counterparts in comparable centers. For supervisors, the union wage premium is 30% (\$57,688 versus \$44,271), while for managers, the wage premium is 15% (\$67,769 versus \$58,893).

### ***Regarding the institutional environment...***

- *Local economic development agencies:* Call centers make an important contribution to the economies of the cities or towns where they are located. Local and state governments often offer incentives to firms

seeking to locate call center operations. These incentives include site location assistance, tax incentives, loans, and incentives for locating in targeted zones. Forty-two percent of call centers in our study have received at least one of these incentives, and 18 percent have received two or more.

- *Recruitment and training support:* Call centers often find support for their staffing and training needs from public and non-profit organizations in the regions where they are located. Economic development organizations coordinate placement and recruitment services. Local training providers and community colleges are also sources of new recruits, screening and training residents for call center jobs. On average, 68% of managers in our survey reported that they use public job recruitment and placement services. Similarly, 63% of managers report that they use public training resources or programs.
- Across the industries included in our survey, 45 percent of managers cited the skills of the local workforce as the most important reason for choosing their current site, while 27 percent cited low labor or real estate costs.

*Employer associations and networks:* Local call center networking organizations 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. Among managers surveyed, 33% participate in a local networking group, 93% of whom report that the primary benefit of these groups is the opportunity to exchange business experience and advice with other firms.

