

# Call Centres in Denmark 2004

## Strategy, HR Practices & Performance

Report for the Russell Sage Foundation  
The Global Call Centre Project – Denmark

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## Summary

This survey is the first scientifically based benchmarking study of the Danish call centre industry. The main results from the study are based on answers from 128 call centres, which correspond to a response rate of 65%. The Danish study is part of a global project coordinated by researchers at Cornell University, US; University of Sheffield, UK; and Duisberg University, Germany. The project includes 18 countries worldwide.

The Danish call centre industry is rapidly growing. Managers have experimented with a wide range of HR practices. In this report, we examine:

- ◆ Selection and staffing strategies
- ◆ The skills of the workforce and investments in training
- ◆ Use of technologies
- ◆ Adoption of “high involvement work practices” such as quality improvement and self-directed work teams
- ◆ Use of performance-based pay
- ◆ Wages and remuneration
- ◆ Institutional supports, such as local government and training programs
- ◆ Union and non-union work practices

We compare call centres in:

- ◆ Different industry sectors
- ◆ Different customer segments
- ◆ In-house and independent (sub-contractor) status
- ◆ Inbound and outbound function
- ◆ Union and non-union effects

## What we found...

### Industry & organizational characteristics

- ✧ *Industry size:* The Danish call centre industry comprises about 300-400 call centre units employing 20,000-25,000 workers.
- ✧ *Industry evolution:* The Danish industry grew rapidly at the end of the 1990's. It still shows growth rates of around 10%, but the industry seems to be consolidating.
- ✧ *Call centre characteristics:* Call centres in this study have an average of 60 seats. Half of the centres have less than 28 seats. There is about 1.1 individuals employed per seat. The largest centre has 526 workstations.
- ✧ *In-house and independent centres:* In-house call centres are those that serve the customers of a parent company while independent centres are subcontractors that serve customers from a variety of outside companies. In-house centres in Denmark constitute 75% of the market while independent centres comprise 25%. The finance sector has in-house call centres only, whereas in the IT and telecommunications sectors, 65% of centres are independent.
- ✧ *Scope of call centre markets:* The typical call centre in this study serves the national market rather than a local, regional, or international one.

- ✘ *Business strategy*: The most popular business strategy reported by managers is customer loyalty followed by service differentiation; 18% focus on price leadership.
- ✘ *Hours of business*: Call centres are typically open 11½ hours per day on weekdays.

### **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 education profile of call centre workers is considerably higher. The typical call centre worker in this survey is a woman (68%) with a vocational education degree. In 67% of the call centres, the typical employee has more than a secondary school education.
- ✘ *Training*: Call centres provide an average of 22 days of training for new hires, with a range of 1 day to 150 days. Training is longest in centres serving financial services and shortest in outbound call centres. In addition, call centres provide about 6 days of on-going training for experienced employees each year. On average, it takes 17 weeks to become a fully experienced core employee. This means that on-the-job learning is essential for workers to perform effectively.
- ✘ *Technology use*: Call centres seem to be moving from voice-only channels to multi-channel centres. Eighty-four percent of the centres in this study use email; 62% use fax. More complex technologies such as CRM, IP telephony and workflow management are mainly used in the large call centres.
- ✘ *Workload*: Call centre workers average about 80 calls per day, with a call handling time of 3 minutes per customer (same number of calls but half the time of the US survey results).
- ✘ *Work organization and teams*: Call centre employees have quite low levels of discretion regarding technology use, daily task assignments, and the pace of work. Problem-solving groups are used in 50% of call centres, while 30% make use of self-direct work groups.
- ✘ *Pay levels*: The annual pay of the typical call centre worker averages €36,000, with a high of €58,000 and a low of €23,000. The finance sector has the highest average salaries and the retail sector the lowest.
- ✘ *Pay for performance*: Where individual commissions are used, they account for an average of 31% of call centre workers' pay. Where group-based incentives are used, they account for 23% of the annual wage. Pay for overtime amounts to 23%.
- ✘ *Use of temporary workers*: 28% of the call centres in the survey employ temporary workers. 20% of the workforce in these centres is employed on temporary contracts. This corresponds to about 6% of the total workforce in the Danish call centres. 16% of the temporary workers are transferred to permanent positions each year. In other words, employers to some degree use temporary work as a screening device for new hires. Temporary workers are mainly employed as buffers for peak and odd hours of work.
- ✘ *Use of part-time and student workers*: 66% of the workforce excluding temporary workers is employed on full-time contracts, while 34% hold part-time jobs. Part-time employees average 22.5 hours of work per week. Fifty percent of part-time work is performed by students. Those who are not students work an average of 25 hours per week.
- ✘ *Monitoring and coaching*: Most call centres evaluate and monitor their employees. Eighty percent of call centres in this study give statistical feedback to core employees every month or more often. The call centres that monitor calls and give statistical feedback most inten-

sively are also the ones that use coaching most frequently and use the information to identify the need for education and to improve performance. Only the call centres in the IT and telecom sector say that they use this information for disciplinary actions.

### **Turnover and absenteeism**

- ✦ *Turnover rates*: Total annual turnover (including quits, layoffs, dismissals, and retirements) averages 15% among call centres in this study. (This is about half of the corresponding figure in the US survey).
- ✦ *Quit rates*: The average quit rate is 10%. The highest quit rate is found within the IT and telecom sector (13%) and the lowest within the finance sector (6%). The large centres have a much larger quit rate (13%) than the small ones (5%). Outbound centres have a much larger rate (22%) than inbound (6%).
- ✦ *Absenteeism rates*: Call centres do not have significantly more sick days than that found in the general economy (8.9). However, the IT and telecom sector has a significantly higher number of sick days (10.9). There are no differences in rates across other types of centres in this study.

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

- ✦ *Managerial pay*: Managers average €55,400 in annual pay, including performance based pay. Their salaries range from a low of €31,000 to a high of €107,000. The highest salaries are found within the finance sector and the lowest within the IT and telecom sector.

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

- ✦ *Local economic development agencies*: Call centres do not seem to be affected by the local economies to any large degree. However, some of the large independent call centres have used local incentives such as dedicated education, local programmes and higher unemployment rates. 20% of the centres have used public education and/or programmes.
- ✦ *External factors*: External factors put a light pressure on the centres to create jobs with more discretion and lower monitoring. The most important factors are corporate management, a tight labour market, trade unions and the presence of successful call centres.

### **Regarding the effect of unions...**

- ✦ *Union presence*: 50% of the call centres negotiate wages and working conditions with trade unions. Independent and outbound call centres have less presence of unions than in-house and inbound centres. There is no dedicated trade union for call centre workers.
- ✦ *Wages*: Call centres with collective agreements pay core employees 10% more than non-union call centres.
- ✦ *Training*: Call centres with collective agreements provide more time for training and spend more money on recruitment, selection and training of core employees.
- ✦ *Turnover and absenteeism*: It has not been possible to detect a significant difference in turnover or absenteeism between unionized and non-unionized centres. However, in the IT and telecom sector that has the highest number of sick days there is a tendency that unionized centres have fewer sick days (8.6) than non-unionized (12.4).