

Contact centre salaries pricing SA out of the market?

By Craig Gibson, managing director, Merchants Operations Africa.

Johannesburg, South Africa, 10th November 2006 - South Africa may be heading for a contact centre industry disaster if rising salary inflation is not brought under control. Costs associated with staff retention are literally spiralling out of control to the point where South Africa may rapidly lose its status as a preferred offshore business process outsourcing (BPO) and call centre destination.

I disagree when recruitment agencies say that the industry needs to pay more money on call centre staff salaries. This perspective is not based on cost containment in, an effort to increase profitability, but the fact that agent salaries are skyrocketing at levels that are not sustainable for the industry as a whole.

In the UK, for example, when recruitment agents say “you need to spend more money for quality agents”, they generally mean 5 – 7% more. But in SA, it is not uncommon that agent salaries can be inflated by as much as twice to three times that of the average rate.

In addition, companies tend to poach staff from each other, often in an effort to employ already-trained agents. One can argue that, while this can be considered the nature of business, the higher salaries that are being offered to recruit “experienced” contact centre staff are effectively raising the levels of salary expectation across the industry.

In many instances the company that is paying the increased rate is “saving” on training costs, however, the net affect is that the pay rate being offered is unjustified relative to the skill level being offered. In some cases, in this desperate “fight” for skills, this may give a specific company a short term advantage, but the commercial realities over the medium term will negate any advantage for all employers in this industry.

This phenomenon compounds as you move up the ranks in a contact centre. Where the average entry-level agent would earn in the region of R4500 per month, a team leader can earn double that and the further you go up the chain of command, the more ridiculous the asking salaries seem to become.

Operations managers in South Africa, considered to be senior positions, are earning well over what their counterparts in the UK are earning even after doing a currency conversion on their pound-based salaries.

Recruiters have offered a number of possible reasons for this huge salary growth in the South African contact centre market. Some say that SA has started off a low salary base and is simply “righting” salary levels. Others say that it is simply a case of supply and demand, where the lack of a decent and continuous flow of quality skills into the industry is driving up salaries.

Staff can benefit in the short term from higher salaries but it is unsustainable for companies running these contact centres whether they are outsourced or captive operations.

While we haven't reached the levels of turnover experienced in places like India, where agents move from job to job after an extremely short tenure, the danger signs are evident and South African contact centre operations need to be aware.

It is of little value to everyone who operates a contact centre to continue to pay salaries that are disproportionate to agents' skill levels, especially when the very skills that are being "overpaid" for are not being developed quickly enough to foster much needed managerial skills.

So what will make the difference/what are the answers?

Creating sustainability through developing viable careers

The South African contact centre market presents some great opportunities for agents to make a career for themselves. The days of contact centres being a temporary appointment in the working world are over because contact centres have evolved into complex businesses requiring a wide variety of skills.

The training offered to South African contact centre agents is of such a calibre that, once an individual has developed some experience in the contact centre industry, these skills are in high demand by employers in the IT and financial services sectors.

To illustrate this, Merchants has a number of outsourced contact centre operations where our agents deliver Level 2 technical support for international Blue Chip companies. In many instances, these South African agents are delivering a higher quality service at this level than the outsourced companies are delivering out of their own first world customer contact centres.

The point is that we have the capability in South Africa to deliver both a quality level of service and, if we do it correctly, we can build a career for our staff beyond the agent level.

Overpaying for agents and ignoring the required levels of development simply creates commercial pressure for the industry as a whole and will impact on the growth of this industry in South Africa.

Developing a career path and evangelising this in South Africa amongst potential candidates is critical if we are to maximise our opportunity of attracting international clients to our shores. Already, international companies are concerned about the local resource pool and, combined with the increase in salary levels, it is driving them away in some instances.

In an effort to ensure that the local industry does not price itself out of the global call centre and BPO market, major employers in the industry need to agree on some fundamentals.

Better utilisation of skills development initiatives, incentives for foreign investment and pro-active engagement with organised labour to guarantee

further employment creation, are all ways that could help alleviate some of the more serious problems we could face in the future.

We feel that moving away from single reward solutions and greater differentiation between average and good performers could be part of the catalyst needed to promote action.

Second, the perceptions about a job in a call centre need to change to reflect the truth – that it can be a sustainable career and two years is the minimum expected tenure for an agent in a single company.

At Merchants, we have made huge strides in making our contact centre agents' jobs turn into sustainable careers through partnerships with training organisations including Edexcel.

With international qualifications such as the Btech, offered through Edexcel, we have been able to successfully train and place a number of quality contact centre agents who are well on their way to becoming candidates with the skills required for managerial positions as they progress in their careers in the contact centre world.

Rising salary inflation can (and will) hurt call centre staff in the long run. If agents jump from one high paying job to another even higher paying job, there is a risk that that agent will quickly reach a cap in his/her earning potential and not be able to deliver the levels of skill required in higher managerial positions.

This should be a bit of a wake-up call for SA. If the local contact centre industry does not take a stand to ensure stability and predictability in the growth of wage costs, it will lose ground to cheaper offshore destinations such as India, the Philippines and even China who are trying to move up the value chain of services.

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