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Contact Center Costs: The Case for Telecommuting Agents

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Abstract

In any contact center, labor costs are typically the largest annual expense component, exceeding 60% of total operational costs. Traditional high turnover rates, leading to additional costs for new hire training and the hidden costs of lower productivity, have amplified the total costs of staffing the contact center on an annual basis.

As unemployment rates decline across North America, agent turnover will strain management's ability to control ongoing costs of operation. Lower unemployment levels increase the pressure to raise salary levels to remain competitive. They also increase the likelihood that skilled agents will move to other positions or companies, thereby requiring the contact center to backfill positions and incur greater training costs.

Enhancing the attractiveness of employment at your contact center in comparison with other local competitors enables you to attract more skilled resources and reduce turnover, and may allow you to limit the need for salary increases. This paper looks at how establishing a telecommuting or home agent program can be a competitive differentiator.

Section 1: Defining Telecommuting in the Contact Center

Telecommuting — or telework — is defined as the use of computers and telecommunications infrastructure to facilitate work in a location different from a centralized contact center environment. It should be distinguished from highly mobile workers whose work requires that they work at many locations.

For the purposes of this paper, we are focusing on the establishment of an effective telecommuting program for contact center agents in which the agent's home will be the primary workplace.

Section 2: Why Consider a Telecommuting Program?

The largest operational cost in a contact center environment is the fully loaded cost of the agents themselves. In addition to the expense of salaries and benefits, contact centers typically experience high levels of turnover. Double-digit turnover, often exceeding 30%, means more relatively unskilled staff are needed to manage call volumes than with fully skilled counterparts. It also creates additional demand for training and coaching resources. Gallup estimates the cost of training to be a minimum of 30% of the total labor cost itself.¹

As the North American labor market continues to improve, pressure will be exerted on salary levels and turnover is likely to increase. If contact center leaders are to control operational expenses, they must find innovative ways of making their centers more attractive in the local market. A telecommuting (home) agent program provides direct benefits to both the employer and the employee that can help organizations contain operational costs. This paper outlines some of the benefits that should be considered when introducing and publicizing a telecommuter program in your contact centers.

Section 3: Benefits to Employers

Leveraging the appropriate and necessary support technologies (which are discussed later in this document), telecommuting provides a series of business incentives for the employer.

Direct Cost of Labor: Using a telecommuting program, an employer can find large pools of potential agents without reliance on large urban centers. Instead, employers can develop their employee base in lower cost geographies such as suburban and non-urban labor markets.

Figure 1: Ratio of Urban to Non-urban Incomes²

Family income by residence, 1995-2001				
Year	Nonmetro		Metro	
	Median family income	Real change from previous year	Median family income	Real change from previous year
-----2001 dollars-----				
2001	41,012	-817	54,657	-546
2000	41,829	-219	55,203	1,315
1999	42,048	1,369	53,888	1,361
1998	40,679	1,992	52,527	1,702
1997	38,687	1,765	50,825	1,513
1996	36,922	41	49,312	1,146
1995	36,881	NA	48,166	NA

NA = not applicable.

Source: Calculated by ERS using data from the March Current Population Surveys, 1996-2002.

As Figure 1 shows, the ratio of non-metro to metro income remained relatively constant over this period, at approximately 76%. Even if a change in the geographic employee pool resulted in an average cost reduction to the business of only \$2 per hour per agent, this would result in an annual loaded cost savings of approximately \$4,000 per Full Time Equivalent (FTE) contact center agent.

Access to a Variable Workforce: Many contact centers could benefit substantially if they had access to a more variable workforce — that is, one that works non-conventional hours. For example, an adult with childcare or eldercare responsibilities may be unable to come to the office for a 3-hour shift but able to accommodate that shift from the home.

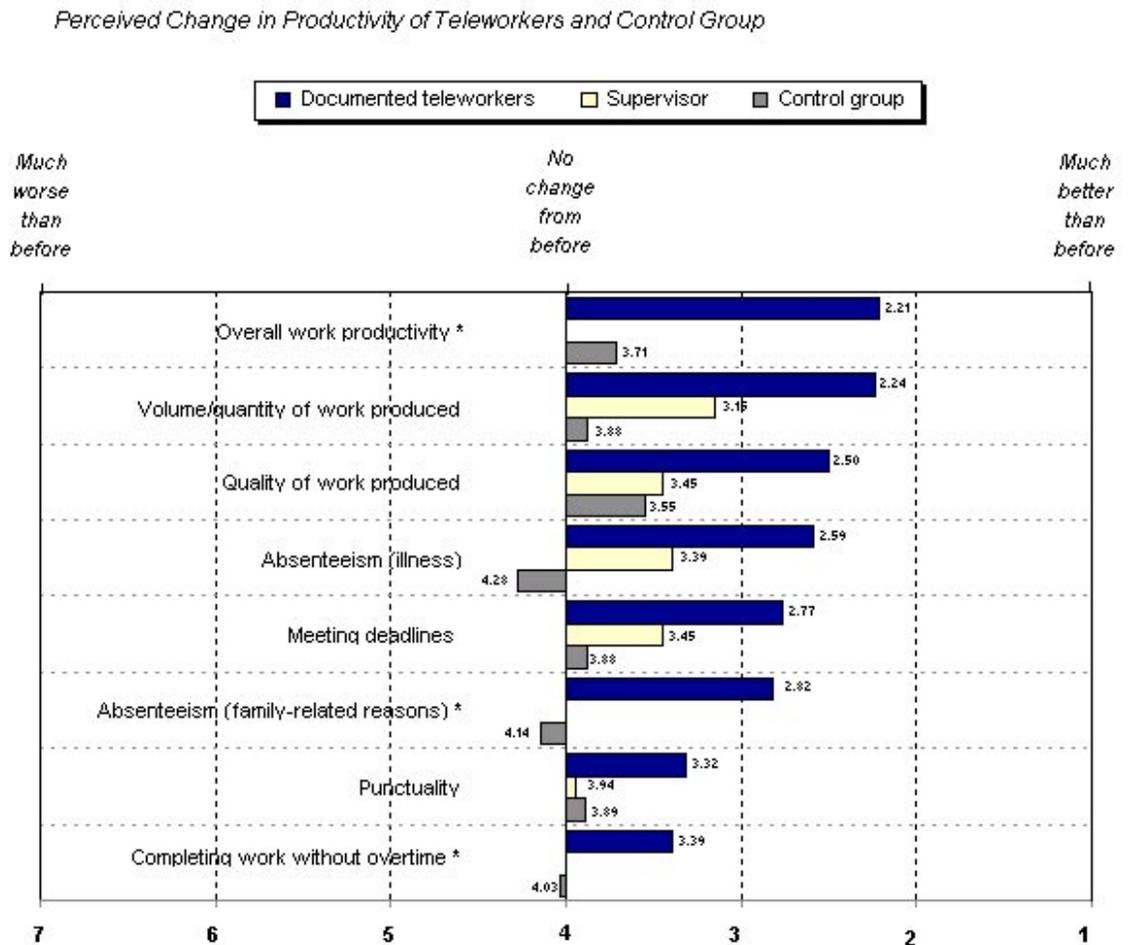
The business impact of utilizing employees needing variable schedules can be significant — substantially improving customer service levels, reducing call abandons, and enhancing customer satisfaction. Split-shift and variable part-time employees can be more effectively scheduled around the common peak calling periods (10:00–11:30 AM, 1:30–3:00 PM, 6:00–7:30 PM). Using a variable workforce can also accommodate seasonal workload fluctuations (e.g., pre-Christmas or RRSP/401K season) and ease the scheduling challenge of managing split shifts, weekends, and traditionally closed public holidays.

Real Estate Costs: The typical agent workstation requires a minimum of 30 square feet, and up to 100 square feet depending on the facilities, furnishings, and desktop requirements. At an annual cost of \$30 per square foot, this represents an operational expense of \$900 to \$3,000 per contact center agent. Recovering the value of that real estate when moving a small number of existing employees to a telecommuting model is speculative. However, it is easy to see the impact when an employer is closing or relocating a center or has expanding real estate requirements within an office campus where an existing contact center is located. The greatest impact on reducing the real estate demand is realized when new facilities are being considered. The potential goes so far as having a contact center operation with no contact center floor. Depending on the size of the center, this benefit is also augmented by a reduction in facilities management and maintenance costs.

Productive Work Time: In the contact center industry, the amount of time an agent spends on non-phone related work is called shrinkage. Employees who work at home consistently take less sick time than employees who go to an office. For example, an employee who has a cold is unlikely to want to spend an hour in public transit commuting to work but may be quite comfortable working at home. InfoVision, a market research company, has measured the gain to be approximately 20% reduction in casual absenteeism.

Productivity: Major companies such as American Express and IBM have reported that their contact center telecommuters process substantially more calls and close more business than their in-office counterparts. Figure 2 is an illustration of increased telecommuting productivity in research conducted by the Canadian federal government.

Figure 2: Productivity Changes in a Telecommuting Environment³



New Sources of Labor: One of the more significant advantages that the telecommuting model provides to contact center employers is the ability to tap into new labor sources. The expanded labor pool includes current employees who are not normally part of the contact center team but who may be available to work due to temporary separation from the company, of a nature such as:

- On short-term disability as a form of modified job duties
- On maternity, eldercare, or parent leave
- Approaching retirement but interested in continuing work in a reduced role
- Relocating as a consequence of spousal or dependent care responsibilities

The ability to take advantage of a temporarily separated labor pool depends on the prospective agents already having the skills necessary to work in the contact center (if they are not already contact center agents). It also depends on the determination (through individual company analysis) that using these types of employees would be beneficial to the business and its contact center goals/objectives.

In addition, the business can access new employee groups including those who:

- Choose to stay at home with their children (Note: Should only be considered when children are in school or being attended to by another responsible person)
- Have mental or physical limitations that affect mobility
- Are retired and would enjoy a less demanding employment alternative as a source of supplementary income
- Stay at home for dependent care
- Are on extended/permanent disability from a different job type
- Are not within commuting distance of large centralized contact centers

These labor sources are relatively untapped, increasing the likelihood of accessing highly qualified candidates.

Employee Turnover: Labor costs are the most significant portion of a contact center's operating budget. This cost is amplified when turnover, typically around 30%, is factored into the cost of labor. Providing telecommuting for agents can help an organization mitigate this issue and its threat to contact center performance.

Understanding and articulating the inherent soft and hard benefits of telecommuting to prospective employees can assist the contact center hiring process by enticing more qualified candidates, and ultimately reduce turnover and its negative impacts. To take advantage of the business benefits of a telecommuter-based contact center, an employer must understand and promote the value of the telecommuting program for its employees and prospects. The next section provides a basis for defining those benefits.

Section 4: Benefits to Employees

The more advantageous you can make the work environment for employees without compromising business operations, the more likely you are to attract and retain skilled staff. The benefits to an employee can be grouped under two major categories: economic considerations and work/life balance considerations.

Economic Benefits: Contact center agent positions are classified as lower income positions, populated by younger segments of the labor market. The average contact center salary is estimated at \$10–\$13 per hour based on U.S. labor statistics. This compares with an average \$18 per hour across all professions. The typical demographic for contact center agents is young (aged 18– 29)⁴ and interested in having their own homes. This labor force segment is in an asset accumulation mode — purchasing cars, furniture, and other home products while renting accommodations or purchasing an entry level home. The young contact center employee faces the fiscal challenge of needing to purchase the assets that a home requires but not having significant disposal income with which to do so. Therefore, finding ways to increase disposable income is very attractive to this labor segment.

The potential of being a home worker allows the agent to forego a number of employment expenses. Some of these expenses represent a significant portion of disposable income expenditures, including:

- Transportation costs, whether private automobile or public transit
- Incidental costs associated with lunches, breaks, and work-related social gatherings
- The cost of office-appropriate clothing
- Costs of daycare costs and/or after school programs

The last point needs qualification. It is not appropriate for any contact center telecommuter to expect to be able to look after young children when scheduled to work. However, if the workday involves a significant amount of time in preparing for and getting to/from the workplace, the costs of daycare for this period can erode the real value of the paid hours of work. For example, a 7-hour workday plus a 2-hour roundtrip commute may demand 9 to 10 hours of daycare. The cost of that daycare might be equivalent to 4 hours of wages. So the net effect is a 9-hour day garnering 3 paid hours. In a telecommuter environment, the portion of the daycare cost associated with commuting becomes irrelevant, adding income to the worker without impacting the family unit. Additionally, eliminating the time spent commuting enables the employee to choose more or variable working hours.

In urban areas, transportation and commuting costs can quickly exceed \$5,000 a year. Assuming the agent makes \$25,000 annually and 20% of that income is consumed by taxes and other mandatory employment, government, and/or union expenses, the agent's net income is \$20,000. If the cost associated with being in the labor market is \$5,000 per year and rent is \$6,000 per year (\$500 per month), the contact center employee will have a net disposable income of \$9,000 per year (\$750 per month).

Low income is the principal contributor to turnover in the contact center market. Agents leave to find better paying employment. Across North America, this financial situation appears in the majority of large urban area contact centers.

Telecommuting puts the transportation and commuting costs of \$5,000 plus the incidental costs back into the employee's pocket. This increases the \$750 per month net disposable income in our example by more \$400 per month. In addition, depending on taxation regulations in the jurisdiction, the employee may be able to claim some home and utility costs as personal income tax deductions. The net effect is that home-based work has a significant impact on the agent's real income.

Work/Life Balance Benefits: Another dimension to telecommuting is the balance it provides to work and lifestyle.

As commute times increase (see Figure 4 below), the value of work for lower income workers is eroded. Add to this the potential necessity for after school programs and daycare/eldercare arrangements, and the resultant "life value" of lower income work is significantly reduced.

The employee can contrast that outcome with home-based contact center employment, which can offer:

- Flexible scheduling to accommodate after-school childcare
- Home presence for eldercare (Note: Should not be considered if it would compromise the level of care or the ability of the worker to adhere to a work schedule)
- Reduced need to purchase an automobile
- Very rapid transitions between the home role and the employee role (e.g., dressing, grooming, travel, and coordinating activities)

Figure 4: Percentage of Workers with Work Commutes > 90 minutes in the US⁵

Counties	%
Richmond County, NY	11.8%
Orange County, NY	10.0%
Queens County, NY	7.1%
Bronx County, NY	6.9%
McHenry County, IL	6.7%
Nassau County, NY	6.6%
Kings County, NY	5.0%
Contra Costa County, CA	4.6%
Prince William County, VA	4.5%
Prince George's County, MD	3.8%
Montgomery County, MD	2.2%
Will County, IL	2.0%

Section 5: Conclusion

From the above discussion, it becomes clear that the adoption of a telecommuting program can provide significant benefits to an organization. When implementing such a program, it is important that the employer evaluates and publicizes both sides of the benefit model, so employees can see how the model is not just employer-focused.

This paper began on the premise that telecommuting can help organizations manage both the pressure on contact center salaries and turnover. According to Forrester, “The remote agent model provides a measurable return on investment and superior customer service for up to 15% less than the pay scale for a conventional outsourced bricks and mortar facility.”⁶

This assertion is also supported by the following findings from CRM Buyer.⁷

- Companies spend up to \$15,000 to hire and train a new contact center agent.
- Average retention is six months.
- Annual churn is 40%.
- In comparison, a virtual-contact center using telecommuting agents provides:
- Access to high-quality personnel
- Annual turnover rate at or below 10%

The question then becomes, if a contact center does not have a telecommuting program model, how much revenue is the business losing and at what cost?

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