

Saved by the Bell? Call Centres and Economic Development in Less Favoured Regions

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This article considers the role of call centres in the economic development of less favoured regions (LFRs). It suggests that call centres represent a new form of mobile service work which these regions are increasingly seeking to attract. It considers the factors which are important in attracting this work. It then explores the policies adopted by two LFRs which have been reasonably successful in doing so. It suggests that there are a number of benefits from the attraction of call centres, particularly employment opportunities not otherwise available in such regions. It also strikes a note of caution, however, questioning, in particular, whether these jobs will last.

Keywords: call centres, information and communications technology, regional economic development, rural development

Introduction

ICTs have a much remarked-upon and potentially powerful ability to 'shrink distance'. In essence, new industrial and social geographies could emerge, particularly with regard to services which can be delivered over the wire. In principle, therefore, there are new policy challenges concerning the relative economic advantage of non-core regions, especially less favoured regions (LFRs) in Europe. (CEC, 1996: x)

This article considers the implications of the growth of one form of work whose product can be delivered over the wire, namely call centre work. It considers policy challenges and responses which regions facing relative economic disadvantage have adopted and the success of these policies in attracting or promoting call centres.

Finally it considers the implications of call centre work for economic development in such regions.

Call centres have been one of the largest employment generators in western Europe over the past few years, with all major countries now witnessing significant employment growth (see, for example, Datamonitor, 1998). Call centres have been subject to considerable criticism by both the media and academics, particularly in regard to the Tayloristic and routinized nature of work, to the levels of control and surveillance developed by management, and to lack of trade union representation and scope, or otherwise, for alternative forms of worker resistance (see, for example, Bain and Taylor, 1999, 2000; Baldry et al., 1998; Fernie and Metcalf, 1997; Kinnie et al., 1998; Knights and McCabe, 1998; Lammont, 1999; Taylor and Bain, 1999). Despite this criticism call centres are increasingly being targeted by economic development agencies in their attempts to attract 'information' service-based jobs. As a result, in some less favoured regions (LFRs) call centres have been the most important single source of new employment over the past few years (Richardson et al., 2000).

Information and Communications Technology and Mobility of Service Work

The rhetoric of economic development over the past decade has been dominated by the concept of 'indigenous growth'. Particular emphasis has been placed on the potential for small and medium-sized enterprises (SMEs) to drive regional (and national) economies forward. While such an emphasis is to be welcomed in that it recognizes that some regions have, in the past, been overreliant on a limited number of industries and on large firms which are not necessarily locally embedded, it fails to recognize that in many rural and peripheral regions endogenous capacity is limited. SMEs are largely undynamic and economic prosperity remains heavily dependent on attracting, supporting and maintaining inward investment (Richardson and Gillespie, 1996).

Until recently inward investment policies have mainly been constructed to attract and retain mobile, export-oriented, *manufacturing* investment (for a relatively recent summary and synthesis of the literature on this topic see Young et al., 1994), notwithstanding the dominance of the service sector in terms of employment growth

in advanced economies in the past three decades (Marshall and Wood, 1995). Historically, this lack of interest in service work reflected the view that the majority of service transactions involve co-location or proximate location of producer and consumer. The level of service employment in a particular region, therefore, was largely a function of local demand for either business or consumer services. This situation has changed over the last decade or so, however, and regional development agencies in Europe are increasingly looking to promote and attract export-oriented *service* work. A number of changes in the structure of the service sector have occurred, the most important of which, in the context of this article, is the impact of information and communications technologies (ICTs) on the 'spatial repertoire' (Gillespie, 1993) of service organizations. As Freeman and Soete (1994: 91) have pointed out, ICTs:

... allow for the increased tradability of service activities, particularly those which have been most constrained by the geographical proximity of production and consumption. By bringing in space or time/storage dimension, information technology ... make[s] possible the separation of production from consumption in an increasing number of such activities.

By increasing the tradability across space of service activities, thus permitting the separation of production from consumption, ICTs are allowing a growing number of service firms to search for new sources of cheap labour, much in the way that the manufacturing sector has historically done, and thus to '(re) discover' the basic principles of national and international divisions of labour (Freeman and Soete, 1994; Richardson and Marshall, 1996a). This in turn creates a new set of mobile activities which economic development agencies are seeking to attract.

It should be stressed that we are not suggesting that ICTs have an in-built decentralizing logic or that they make all service activities hyper-mobile. Many activities still require a co-presence between the consumer and producer and therefore need to remain close to markets. Other activities are technically amenable to separation, but locational choices remain constrained by the uneven availability of production input factors across space (particularly appropriately skilled labour). Indeed, for certain 'complex intellectual' tasks (Zuboff, 1988) ICTs may enhance the position of existing dominant agglomerations, such as the City of London (Sassen, 1991). Here ICTs may intensify the 'compulsion for proximity' among those who design, interpret and implement the knowledge gained from

the scattering of activities which the new technology permits (Boden and Molotch, 1994).

Nevertheless, a range of service sector activities are becoming increasingly mobile as firms realize that they face immense opportunities for combining appropriate skill levels with low-wage labour (Glasmeier and Brochard, 1989) and development agencies are adjusting their efforts accordingly. The best documented mobile activity is data-processing, back office work (see, for example, Moss and Dunau, 1987; Pearson and Mitter, 1993; Allen, 1995), though recently other, higher order, back office activities such as computer programming and treasury functions have begun to become more mobile (Richardson and Marshall, 1996a). An increasingly important form of mobile work which has emerged in the 1990s is call centre work (Richardson, 1994; Richardson and Marshall, 1996b). Call centres broaden the range of mobile work activities. Whereas the activities listed earlier tend to be intra-corporate, or occur between relatively closed networks of firms, call centres allow the spatial separation of the producing firm and the final consumer; the final consumer may be another firm or may be an individual. It is the attempts of economic development agencies to capture this rapidly growing activity with which this article is concerned.

Growing Awareness of the Potential of Call Centres among Economic Developers

The potential role of call centres in the economic development of LFRs began to be explored in the geography literature in the USA in the late 1980s and early 1990s, though call centres tended to be labelled as telemarketing offices or simply conflated with back offices. Moss and Dunau (1987) pointed out how the advent of 800 (toll-free numbers) could lead to the relocation of jobs from US cities. Wilson (1994) speculated on the prospects for call centres going offshore from the USA, mainly to the Caribbean. Glasmeier and Brochard (1989) noted that the increasing importance of these activities was being recognized in more rural areas of the USA as early as the mid-1980s when 'rural communities updated the rural development strategy of "smokestack chasing" to lure telemarketing and other "back office" industries'. Parker and Hudson (1995) noted that Breda, Iowa, a town with just 500 inhabitants, was able to

attract a branch office of SITEL, a major telemarketing firm. On a grander scale Omaha in the largely rural state of Nebraska had by the early 1990s attracted around 25,000 call centre jobs.¹

The growth of call centres in Europe occurred later than in the USA. Although call centres did emerge in the late 1980s it was not until the construction of 'intelligent networks' which could provide toll-free and local call rate services that they really started to take off (see Mansell [1993] and Richardson [1994] for further details of intelligent networks). Only in the early to mid-1990s did the phenomenon begin to penetrate the consciousness of economic developers. The Irish Development Agency was probably the first agency to systematically attempt to attract call centres. It had already been successful in establishing itself as a base for overnight data-processing for US insurers (Wilson, 1991) and intelligence from its (then) six offices based in the USA suggested that becoming a call centre bridge into Europe for US firms could be profitable (Richardson and Lagendijk, 1997). Other agencies followed, notably the Dutch (Foreign Investment Agency) and British (Invest in Britain Bureau, but more particularly Locate in Scotland) and competition for 'pan-European' call centres became fierce. These three countries were shortly joined in the battle for pan-European call centres by Belgium, France, Sweden and others. Individual cities such as London, Glasgow, Manchester, Amsterdam, Rotterdam, the Hague, Maastricht, Paris and Brussels have also sought to position themselves as suitable sites for pan-European call centres. Competition *within* countries is also intense as more regional development agencies realize the employment creation potential of call centres (Mital, 1998). In reality, in the UK this competition has mainly focused on call centres which service a national market, though many cities do stress their multilingual capacity. In other countries where multilingualism is more common, competition for pan-European centres is more widespread.

Initially, competition was mainly between relatively large urban centres. In the UK, early movers included Glasgow, Newcastle and Leeds (Richardson and Marshall, 1996b; Mital, 1997), the Highlands and Islands of Scotland being a rural exception (Richardson and Gillespie, 1996). More recently, however, firms have also begun to consider locations further down the urban hierarchy. For example, in the west of Scotland, Glasgow, which initially dominated call centre growth in the area, has been joined by neighbouring towns, such as Motherwell, which have recently suffered industrial

decline and which can offer a large workforce (with few alternative employment opportunities) and grant aid (see Bain and Taylor [1999], for an overview of call centres in central Scotland). One recent report suggested that Motherwell and Lanark, former coal and steel areas of west Scotland, had the highest call centre employment as a proportion of the local workforce in the UK (Mital, 1999). A similar story is apparent in northeast England (see later).

In the Netherlands, again call centres were initially mainly concentrated in the urban 'Randstad', though other cities in other parts of the country, such as Maastricht, noticed their potential relatively early. Latterly towns such as Groningen to the north of the country have developed a small call centre sector. Graef (1998) suggests that in Germany a number of *Länder*, including North-Rhine Westphalia, Mecklenberg Western Pomerania, and Brandenburg, together with other centres which have traditionally relied on heavy industry or agriculture, are vying for call centre investment.

To date rural locations in Europe appear to have been less successful in attracting call centres (Richardson and Gillespie, 1996; Richardson and Gillespie, 2000). In the UK the Highlands and Islands of Scotland (discussed later) is one of the few rural areas which have been successful in doing so. In Ireland, Dublin has dominated call centre investment (Breatnach, 1997, 2000; Grimes, 1995; Richardson and Gillespie, 2000), though some smaller towns have attracted investment and increased attempts have been made over the last couple of years to guide employment away from Dublin towards other parts of the country. In Sweden, Lorentzon (1998) suggests that initiatives are now beginning to attract call centre employment to more rural areas in the north of the country and also to Ronneby. He suggests that overheated labour markets in Stockholm is the main reason behind this process.

Key Factors in Call Centre Location

Research suggests a number of key factors are taken into account by organizations seeking a location for their call centre (*Corporate Location*, 1996a, 1996b; Richardson and Marshall, 1996a, 1996b; Richardson, 1998; Grimley, 1997; Arup/CURDS, 1998; Mital, 1997, 1998). These can be summarized as:

- Advanced telecommunications suitable for data and voice transmission and capable of hosting intelligent network services. Telecommunications costs must also be considered, particularly when the call centre can be located in several countries. A competitive telecommunications environment, with the potential to source services from more than one provider is also preferred.
- A plentiful pool of (often female) labour skilled enough to carry out the particular tasks required in the locating firm's call centre, bearing in mind that the call centre may have to be staffed 24 hours a day. Skills will, of course, vary depending on a call centre's activities and markets; for example, some centres will require multilingual staff. Labour costs will, naturally be a key factor, but firms may have to trade off labour costs for necessary skills.
- The timely availability of property, together with low occupancy costs (rents, rates, servicing, parking costs, etc.). In many cases firms also require room for expansion. In the UK the tendency is towards out-of-town or edge-of-town business parks, though some cities such as Birmingham and Glasgow have had considerable success in promoting call centres in city centre locations. The requirement for rapid expansion also tends to favour out-of-town locations.
- Fiscal and grant incentives. Although the majority of firms interviewed by the authors through the latter half of the 1990s tend to play down the role of incentives, evidence presented in the two case studies in the following section suggests that they are at least a contributory factor in attracting call centres to LFRs.
- Helpful and supportive development agencies prepared to offer continuing support.
- Access to good local public transport is a factor for some firms, particularly those wishing to employ students and other groups of workers with low rates of car ownership. Many call centres in the UK, however, appear to locate with little interest in public transport assuming workers will drive to work notwithstanding the relatively low wages that the work attracts.

Economic development agencies have largely tailored their policies for attracting call centres in response to these factors. Of course, not all places attempting to attract call centres can offer these

combinations of factors, but an analysis of the literature produced by regional development agencies (RDAs) (Richardson and Lagendijk, 1997) suggests very similar strategy thinking and even more similar presentation, with the selective use of 'hard' statistics to illustrate the availability of these factors, glossy pictures of 'call centre agents', who appear straight out of a modelling agency, and quotations from satisfied managers of call centres already located in the area. These approaches to place marketing very much resonate with Kearns and Philo's (1993) contention that in the context of competing for scarce jobs places do not so much try to be genuinely different from one another but rather:

. . . harness their surface differences in order to make themselves in a very real sense nothing but 'the same': to give themselves basically the same sort of attractive image . . . drained of anything controversial . . . [with] writers of promotional literatures find[ing] themselves extolling the supposedly 'unique' qualities of supposedly 'unique' places using an actually quite universal vocabulary. (Kearns and Philo, 1993: 20)

This point is reflected in the table shown in the Appendix where various European RDAs adopt very much the same language to convey their uniqueness as call centre locations.

Regional Development Strategies Aimed at Attracting and Promoting Call Centres in Less Favoured Regions: Two Case Studies

We now turn to explore in more detail the way in which the call centre industry has impacted on two LFRs, both in the UK (see Figure 1). The first, the North East of England, is a mainly urban area which has suffered, and continues to suffer, long-term industrial decline. The second, the Highlands and Islands of Scotland, is a rural area, relatively remote from the rest of the UK and Europe. In each case regional development actors have seen ICTs as a means to help overcome the problems of remoteness and economic uncompetitiveness. In each case call centres have been a key area of employment growth since the mid-1990s.

FIGURE 1



Case Study 1: The North East of England

The North East of England is the smallest of the English regions. It covers an area of 8600 km² and has a population of 2.6 million, about 70 percent of whom live in the conurbations in the river corridors of the Tyne, Wear and Tees. The economy of the region has been characterized by large-scale industrial decline and restructuring over the past 30 years, with substantial employment loss in traditional industries coming on top of already high levels of chronic

unemployment. The North East is the weakest region in England on most indicators of economic competitiveness and vies with Northern Ireland and Wales as the weakest region in the UK. These factors are reflected in the region's European Objective 2 status and its UK Regional Selective Assistance status. The region has long been dependent on inward investment, and can be considered as an archetypal branch plant economy. Despite economic strategies aimed at reducing the region's dependence on inward investment it seems likely that this situation will remain for the foreseeable future, though the emphasis is moving to attracting *service* work. This has been mainly in the form of call centres.

In 1999, an RDA was established to create an economic strategy for the region. Prior to this the Northern Development Company acted as the region's 'inward investment agency'. The region's local authorities also have economic development powers and have competed with each other for inward investment over the years. A key area of such competition is now call centre work.

The growth of call centres in the North East. The North East of England has undoubtedly been successful in attracting call centres. One recent study suggests that although the region is not a large employer of call centre workers compared to some other UK regions (notably the northwest, southeast and Scotland) it has a much larger number than would be anticipated based on its share of total UK employment (Business Strategies, 2000). Research by one of the authors of this article suggests that in 1994 nine firms in Tyne and Wear employed around 1200 people (Richardson and Marshall, 1996b), with probably another 800 call centre jobs in the rest of the region. At the end of 1999 call centres in the region employed approximately 13,500 people. By June 2000 a further 3000 jobs had been announced.

Only a handful of call centres are locally owned. Around half are new inward investments, with the firms having no previous significant local presence in the region. Others represent the expansion or reconfiguration of units already operated by externally owned firms; for example, Eagle Star, and AA Insurance already had significant back office and administration activities in the region which are now largely dedicated to call centre work. The Appendix lists the export-orientated private sector call centres in the region at the end of 1999.² What then were the factors in attracting these centres?

Telecommunications. The provision of telecommunications infrastructure and services was privatized and liberalized in the UK in the 1980s. Prior to this, responsibility for telecommunications lay solely with British Telecom (BT). Neither before nor since privatization have local authorities had significant powers in this area. This also applies to the new RDAs. Market-led provision has created a reasonably advanced infrastructure in the region, however, and does not appear to be an inhibitor of growth, at least so far as urban areas are concerned. There is also competition between BT, cable companies and a range of telecommunication providers which concentrate on the corporate markets. In most of the region the telecommunications infrastructure is sufficiently robust to support call centres. In the more rural areas of the region, the market has been less successful in providing advanced telecommunications and there is little competition. Some authorities such as Derwentside are now attempting to articulate demand in such areas. To date, however, no call centres have located in rural parts in the region. The main business parks, where many call centres are located in the region, have followed a formula first adopted by Newcastle Business Park of installing dual-routed fibre-optic cabling for greater security. One high-profile public-private sector investment has been the so-called 'UK Teleport', which includes an earth satellite link, at Doxford International Business Park in Sunderland. In practice, however, this has had little impact on call centre businesses in Doxford. It does, however, appear prominently in the city's place marketing.

Labour availability and cost. The availability of a sufficient pool of quality labour at a lower cost than other regions is a crucial factor behind the location of call centres in the North East of England. Most call centre managers in the region interviewed by the authors over the past seven years mention this as a key factor (Richardson, 1994, 1998; Richardson and Marshall, 1996b). The contention that wage rates are lower in the region's call centres is supported by a range of surveys undertaken over the past few years. These confirm that call centres in the North East pay the lowest (or among the lowest) wages in Britain (see, for example, IDS, 1997, 1998; Call Centre Europe, 2000). This is unsurprising given that overall gross hourly earnings in the region are lower than any other British region apart from Wales, though wage levels may also reflect the structure of the call centre industry in the region, which largely

lacks the higher grade call centres which would boost the average. Managers also stated that their firm anticipated lower labour turnover in call centres in the region because of the region's high levels of unemployment and lack of alternative jobs (though generally they would not reveal whether this anticipation was met). Evidence of labour quality is difficult to gather, but managers interviewed were generally enthusiastic about the quality and commitment of staff.

The combination of quality low-cost labour is reflected strongly in the region's marketing literature, usually in an understated way, expressed as 'competitive labour quality and costs'. Emphasis is generally on quality, using quotations from existing call centre managers as support. One agency was rather less subtle, however, stating that:

Within the travel to work area . . . there are over 31,000 people unemployed. . . . One in every 70 people unemployed in the United Kingdom . . . lives in the travel to work area for Bracken Hill Business Park. (*Bracken Hill Business Park, East Durham: An Ideal Call Centre Location: 5*)

Subsidized property. A second crucial factor in attracting call centres to the North East is the timely availability of property. The region's economic plight has meant that a succession of Enterprise Zones have been established in the region by central government in the region since the early 1990s. These zones attract large public subsidies to clear ground and provide site infrastructure. For purchasers of offices within these zones there is exemption from local taxes on commercial buildings and 100 percent capital allowances for corporation and income tax purposes for capital expenditure on a purchased building. Planning restrictions are also less onerous than is normal. In the 1990s two Urban Development Corporations (UDCs) were established within the region. These organizations were given special powers to develop particular areas of the region, and large parts of these areas had Enterprise Zone status; the sites which did not, still had large redevelopment subsidies. Most interviewees play down the importance of subsidies, pointing out that they make a limited contribution to the business over the longer term. However, whether it is the subsidy or merely the availability of appropriate property, these sites have attracted the majority of call centres locating in the region. As shown in the Appendix, over half the private sector call centres (58 percent) in

the region were developed on sites which either had Enterprise Zone status or UDC status at the time they were established. The majority of those firms which did not locate their call centres within an Enterprise Zone already had a significant presence in the region and, at least initially, co-located their call centres alongside existing premises.

In the early 1990s the region's economic development community appeared unaware of the existence of call centre work. Two large call centres located in Newcastle Business Park (within an Enterprise Zone), which was established in the early 1990s, one a relocation from Newcastle city centre, the other a new inward investor. These were not targeted as call centres as such by the economic development community. By the mid-1990s, however, there was increasing awareness of this relatively new form of employment and Doxford International Business Park (also within an Enterprise Zone) was largely tailored for the call centre market. The site now hosts eight call centres employing over 5000 people, a figure which is set to grow. Subsequent business parks have sought to follow this pattern. Bracken Hill near Peterlee, based within an Enterprise Zone established to compensate for the decline of the East Durham coalfields, also set out specifically to attract call centres. By the end of 1999 Durham County Council had spent £2.5 million on infrastructure and landscaping and 300,000 sq ft of office space mostly designed for call centre use had been established (*Newcastle Journal*, 19 January 2000: 42). By summer 2000 four private sector and one public sector call centres had been established on the site. Two other buildings were due to be occupied by call centres. Similarly, the first building completed on the new Cobalt Business Park (within an Enterprise Zone in North Tyneside) was a 6968 m² 'purpose-built' call centre. The developer Highbridge expects the call centre to be predominant in the property mix, and anticipates 15,000 call centre jobs on the business park.

Other factors. Call centre managers interviewed have generally acknowledged the role of the local development agencies in providing support before, during and after their call centre was established. One key area of support has been training. Most training agencies and colleges have reconfigured their programmes to take the needs of call centres into account. Sunderland has been particularly proactive, establishing a call centre college, an upstream call centre course for basic training and a course for the long-term

unemployed and other socially disadvantaged groups. The latter training is located in 'electronic village halls' based in housing estates suffering from multiple deprivation.

Case Study 2: Highlands and Islands of Scotland

There is no doubt that call centres have been the most rapidly growing part of the Highlands and Islands economy in recent years. The growth looks well established and with significant untapped opportunities remaining. (HIE, 2000)

The Highlands and Islands Region of Scotland covers the northernmost part of the British Isles. Although an area of outstanding natural beauty, the economic development of the area has always been handicapped by the geographical realities of distance and terrain. The area comprises one-sixth of the UK landmass, but with only 1 percent of the population, giving it one of the lowest population densities in the European Union. The economic development problems of the region were recognized by the granting of Objective 1 status by the European Commission in the 1980s. The economy has become more robust in recent years and the region has turned around long-term population decline to record a net population gain since the 1960s. Unemployment is now below the national average and income per head has grown sufficiently for the region no longer to qualify for Objective 1 status. Nevertheless, the region still faces a number of problems – the remoteness of much of its population, overreliance on agriculture, fishing and extractive industries, seasonal industries such as tourism and public sector employment. This combination of factors led the EU to grant the region 'transitional status', effectively an extension of Objective 1 status for a limited period.³

Unlike the North East of England the Highlands and Islands has had an RDA with responsibility for creating a regional economic development strategy since the 1980s. This body is known as Highland and Islands Enterprise (HIE). A range of local enterprise councils (LECs) contribute to policy formation and deliver services locally, but HIE has overall responsibility for strategy. HIE first became aware of the potential of call centres around 1994. The organization had initially aimed at attracting data-processing back offices, through the provision of telecommunications (see later), but by the mid-1990s it was becoming clear that call centres would be a more productive target.

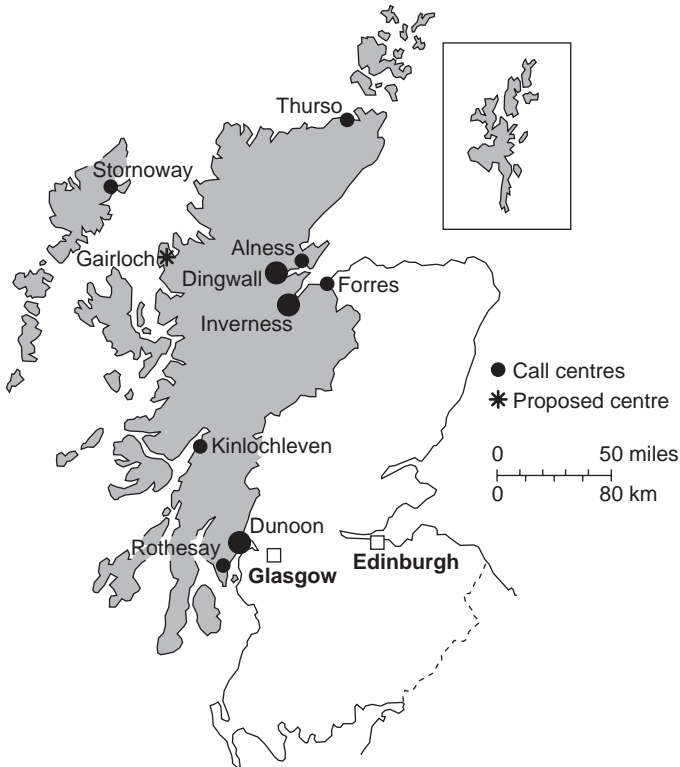
The growth of a call centre industry in the Highlands and Islands.

The first call centre in the HIE region – a BT help-desk in Thurso – was established in 1993. By the end of that year there were just 300 call centre employees in the region. By the summer of 1998 there were 1500 (Richardson and Gillespie, 1998). By the summer of 2000 there were over 2300 people employed in call centres (HIE, 2000). The region anticipates that this figure will grow to around 4000 by the beginning of 2001. The region's medium-term goal is 7000 call centre jobs. A breakdown of call centre jobs by firm and by location in the summer of 1998 can be seen in the Appendix.

These figures suggest that HIE has been relatively successful in attracting call centre jobs to at least some parts of the region. The numbers employed is far beyond what HIE anticipated in the early 1990s (see later). It is well above the UK average for proportion of employees in call centres. An estimate by consultants Mitial (1999) suggests that call centre employment as a proportion of the total workforce is about twice the level of that of the UK as a whole (HIE, 2000). Call centre employment has become particularly important in certain towns. For example, in Thurso and Dingwall the proportion of call centre employees to workforce reaches around 8 percent and 5 percent respectively (HIE, 2000).

Although several call centres have located in the populous and prosperous area around Dingwall and Inverness, HIE has been reasonably successful in directing companies to some other locations within the region, particularly those areas which have suffered the precipitous loss of other implanted industries: for example, defence in Forres and Dunoon, nuclear power production in Thurso and aluminium smelting in Kinlochleven.

There has been less success in directing call centres to less populous and more remote areas (see Figure 2). There is, however, some limited evidence of emerging progress in this area, with two examples having emerged over the past year. The first is a web-enabled call centre located in Stornoway on the Isle of Lewis. This was established by Iomart a Glasgow-based web services company. The Stornoway site now employs 100 people including 80 call centre staff. Another company, Braidgrove Ltd, which recently established a call centre in Alness, together with its technology provider Graham Technology is planning to establish a series of 'micro' call centres throughout the smaller towns and villages in the region, with overflow capacity to take calls to home-based workers

FIGURE 2

at peak times. The first site is to be in Gairloch, a rural town in the northwest Highlands. Both these initiatives have been developed by local entrepreneurs who have gained experience of business and technology outside the HIE region.

The region has had some success then in attracting call centre employment. We now turn to the pull factors behind this success.

Telecommunications. Highlands and Islands Enterprise (HIE) was one of the first public agencies in Europe to recognize the potential role which advanced telecommunications can play in economic growth. By the beginning of the 1990s the region had put together a set of policies, collectively known as the Highlands and Islands

Initiative, central to which was £16 million investment in advanced infrastructure, to which HIE committed a public subsidy of £5 million (Richardson and Gillespie, 1996). By 1992 it was claimed that 70 local exchanges had been converted in order to support ISDN.⁴ More than 70 percent of the population and about 80 percent of businesses in the area were said to have access to ISDN. This investment was specifically aimed at improving the economic competitiveness of the region. One element of the strategy was to attract inward investment of back offices, subsequently of call centres.

Interviews with call centre managers suggests that in most cases the provision of this infrastructure was crucial to location in the Highlands. Even where firms developed their own virtual private networks and did not use the publicly switched ISDN lines, it was suggested that the digital telephone exchanges enhanced communication flows. There were, however, limits to the geographical penetration of the infrastructural investment. As recently as 1998, call centre managers interviewed by the authors complained that their options were limited by the reluctance of BT (which still remains a de facto monopoly supplier of telecommunications in the region 14 years after the opening up of the market to competition) to invest in more remote areas. One company had to make a five-year commitment to a particular location to ensure the installation of a digital exchange, which may also have been subsidized by public agencies (Richardson and Gillespie, 1998).

Telecommunications investment, through public subsidy, has been crucial to the attraction of call centre work to the region. It is clear that such investment cannot be a one-off, however, and the region has had to cajole the (still de facto) monopoly service provider to update capacity and to provide subsidy.

Subsidized telecommunications can be seen as a key factor which *permits* call centres to locate in the Highlands and Islands region. On its own it is not sufficient to explain why firms should *choose* to do so. We now turn to look at these factors.

Labour availability and costs. As in the case of the North East of England, call centre managers whom we interviewed during the course of the research reported here were effusive about the quality of labour in the region. The region has a good reputation regarding levels of education it provides. Some employers expressed initial

doubts as to whether the required *volume* of labour would be available when making their original decision, but most had overcome these doubts shortly after arrival. One reason why labour has continued to be available is that HIE has used grant aid to direct companies to locations which have recently suffered from (relatively) large-scale job losses and where there is little alternative industry. This has resulted in low turnover of staff, a fact commented upon by several managers. Opinions differ as to whether the region is able to sustain growth in call centres. TSC, for example, recently announced that it was opening a new call centre in the central belt of Scotland – in Falkirk. The company envisages that this call centre will eventually employ 1000 people and that there is an insufficiently large labour pool in the HIE region (beyond the tight labour market of Inverness) to permit such large-scale expansion (*Financial Times*, 2000), though the same firm is currently in the process of opening a new 250-person call centre in Aviemore. HIE claims that there remain untapped resources in other parts of the region.

Subsidized property. The situation regarding call centre property in the HIE region is simple. All the sites from which call centres operate have been custom built or built ahead of demand by the appropriate part of the HIE network as part of a ‘unique package of tailored’ assistance provided to new employers. All the call centres are on small business park type developments, owned by HIE, and all have room to expand. Expansions have also been supported by HIE. Rental rates are also low compared with many other parts of the UK. The availability of property at low rental rates was mentioned by several interviewees as a contributory factor in their decision to locate in the Highlands.

Other factors. It has to be said that there is one important contingent factor in the HIE experience which is not necessarily replicable elsewhere: namely, the fact that several of the call centres have been established by entrepreneurs who were to some extent ‘championing’ their home or adopted region. Commercial rationalism was accompanied by a social concern. So, for example, BT’s Thurso centre was established partly at the wish of its then chief executive who was a Scot (it also was part of the deal for public subsidy of BT’s network development); TSC was established by a local man who had retired

from a multinational organization and wished to help create and sustain employment in his native region; the Cap Gemini site was driven through by another local returning to the region; finally, the new Stornoway centre and the proposed centre at Gairloch are driven by people with local connections.

Institutional support has also been important in attracting call centre employment. This ranges from HIE proactively seeking out potential investors, through various forms of place marketing and through the provision of subsidized sites, to the LECs providing call centre training.

Discussion of Economic Development Potential of Call Centres in Less Favoured Regions

It is clear from the foregoing that call centres are being attracted to regions which are disadvantaged by distance and/or economic uncompetitiveness as firms seek to use the locational mobility provided ICTs to unlock underutilized labour markets. The availability of telecommunications in these regions is the *sine qua non* of attracting these and other 'information' services. However, the case studies presented here suggest that the availability of significant pools of suitably qualified and low-cost labour and the timely provision of tailored, and subsidized, property are also important. In these latter respects the factors leading to the attraction of inward investment in the 'information age', looks very similar to those in the 'industrial age', though crucially, of course, what constitutes suitably skilled labour and suitable property differs.

It is also clear from the case studies that significant public resources are being invested in the attraction and promotion of call centres. We now turn to consider whether given the criticism that call centres have attracted such an approach is appropriate.

Benefits of Call Centres in Less Favoured Regions

The evidence from the regional case studies presented in the previous section suggests that call centres have the potential to create a range of benefits for LFRs. First, and most obviously they create employment. In both the North East and the HIE region large numbers of

jobs have been created over a relatively short period of time. As most of the customers of those call centres live outside these regions, a high proportion of the new jobs can be seen as net new employment which will not displace other local work.

Second, call centres are capital intensive and bring new capital and technological investment, albeit that this investment will require subsidy. Neither of the regions considered in this article could reasonably expect to have generated real estate development on the scale achieved through indigenous growth. Neither is it clear what other forms of inward investment could have been attracted during the period in question. Evidence from the Highlands also suggests that the extra call traffic generated by call centres can help to pull through additional investment in the public telecommunications infrastructure. In at least two cases, a new digital exchange (beyond that provided by the original Highlands and Islands Initiative) has been installed to facilitate a call centre.

Third, call centres have the potential to bring new types of employment to less favoured areas. Neither region considered in this article has traditionally provided much private sector service employment outside retail. A survey of employees in call centres in the HIE region in 1996 (Richardson and Gillespie, 1996) suggested that only 2 percent of workers felt that similar types of jobs had previously existed in the area.

Fourth, and related to the two previous points, call centre employment can stimulate the updating of skill sets. Work by the authors (Belt et al., 1999) into the nature of work in call centres suggests that the following skills can be enhanced through call centre work; keyboard skills, customer service skills, communications skills, team-working skills, the ability to pick up product knowledge quickly and flexibility. It is perhaps the customer service skills which are most important. Nickson et al. (2000) point to the growing demand for what they term 'aesthetic labour' as a source of competitive advantage. Call centres may offer one avenue for regions not renowned for their service culture to begin to reproduce such labour, albeit in perhaps a truncated form. We are not suggesting that the skills just listed are particularly specialist or rare skills, but they may be increasingly useful skills. Furthermore, as call centres evolve, perhaps integrating Internet and other functions with telephone calling activities, skills will also evolve, though such evolution may also result in a fall in the numbers employed (see later).

Fifth, a related point is that call centres can bring a new work culture to an area. This, of course, is not unproblematic. Several authors have, quite correctly, pointed to the deficiencies in call centre culture – pointing to new methods of worker exploitation. However, it may be that exposure to new management methods and organizational forms, together with exposure to customers from other regions, can play a role in the modernization of LFRs.

Sixth, research suggests that many call centres have a commitment to training which is well above that in some other areas of office employment, albeit that this training tends to be of a rather narrow kind (Belt and Richardson, 1999). Several of the firms interviewed in the Highlands and in the North East had developed training programmes and obtained external accreditation and had galvanized those responsible for training provision.

Finally, call centres tend to create work opportunities for women. This is particularly important in a region such as the North East of England where women remain underrepresented in the paid labour market. The situation regarding women's careers, as opposed to jobs, may be less encouraging given the flat hierarchical structures and the limited number of activities undertaken in call centres in peripheral regions (see later), but opportunities for promotion to supervisory grade may be greater for women in call centres than in more traditional parts of these regions' economies. Another group which may also benefit from the presence of call centres are the young. The provision of work for the young may help ameliorate the outflow of young people, a problem that affects so many LFRs.

The Limitations of Call Centre Investment for Regional Development in Less Favoured Regions

There are, however, also a number of problems or shortcomings associated with call centre employment. First, call centres, whether in urban or rural areas, offer only a limited amount of career development potential. Call centres almost invariably have a flat management structure and often have a limited range of support activities on-site. Promotion opportunities are limited therefore. At the lower levels this is compensated for by the rapid growth of the industry and by the high turnover of staff. So, for example, promotion

from basic grade to supervisory level may well be more rapid than in other sectors (Belt and Richardson, 1999). Promotion to management grade in the call centre is, however, likely to be more difficult. This is partly because there are few management positions, but also because call centres based in LFRs are likely to be dominated by inward investors. Managers are likely to be 'parachuted' in and to stay for a relatively limited period. Promotion to other parts of the organization will also be limited or will require staff to move from the region, raising questions regarding public investment in human development, skills training and so on.

Second, the experiences of both the North East of England and the Highlands of Scotland suggest that such regions can only attract a limited range of call centre activities and that these will be at the lower end of the spectrum in terms of skills, remuneration and so on. The relatively limited presence of firms in higher skilled areas such as IT must be a cause for concern. Also missing from the portfolio of call centres in both regions are those which require linguistic skills. Most call centres in these regions focus on UK markets, with no multilingual call centres in the Highlands and only three in the North East, which seem mainly to be staffed by overseas workers who stay in the region for relatively short periods of time, adding little to long-term regional capacity.

A final concern regarding whether it is sensible to devote public subsidy to attracting or creating call centre employment in less favoured areas is the sustainability of such employment. There appears to be considerable potential for growth in call centre employment in Europe over the next few years, even though the *rate* of growth appears to be slowing. As urban labour markets become overheated, opportunities for rural and smaller towns to attract a greater share of that employment may increase. New call centre technologies designed for the SoHo (small office home office) market may encourage this, as could the forecast growth in smaller call centres (Richardson and Gillespie, 1998).

There are, however, a number of reasons why call centre work may not be sustainable on the scale which has recently emerged. These include:

- The more effective management of call centre capacity as managers become more experienced in managing what remains a very new work environment.

- The convergence of firms in industries which have seen very rapid call centre growth, such as financial services and mobile telecommunications. This is likely to lead to a rationalization of call centres.
- The outsourcing of call centre work to third-party specialists. Again this may lead to a rationalization of call centres.
- The ‘offshoring’ of call centre work from European countries to cheaper locations abroad.
- Further developments in information and communications technologies, both in the call centres and beyond. These include interactive voice response (IVR) technologies and Internet-based service delivery channels, which are likely to reduce the need for human intervention, and hence, employment opportunities for call centre agents.

These potential developments suggest that towns such as Thurso, where over 8 percent of the employed population work in call centres, and cities such as Sunderland, where call centres have become a crucial part of the economy, employing around 7000 people, face a risk if they become overreliant on a relatively small number of inward investors. Thurso, for example, appears to be in danger of moving from being a nuclear industry ‘company town’ to becoming a call centre one.

Concluding Comments

At the beginning of this article we quoted from a report from the High Level Group of Experts (HLEG) on the Information Society appointed by the European Commission. The report suggests that developments in ICTs and the possibilities which they create for delivering services over the wire create new opportunities for LFRs and that policy-makers must respond to these challenges. Like many other reports, HLEG emphasizes the potential of SMEs to contribute to growth. However, most studies of SMEs and new technology, particularly in LFRs, suggest that they lag behind larger firms in uptake and use of ICTs (for example, Illerby et al., 1995; Grimes, 1995; Mitchell and Clark, 1999). We are not suggesting that the focus on indigenous investment and on SMEs

should be reduced (though it might be better targeted), but it is clear that any benefits from this focus will be long term. In the meanwhile, jobs are required and call centre jobs are clearly one source of such employment.

The major fear, of course, is that call centres are mobile and will be short lived. While this may be true for the reasons listed earlier, they are, in this respect, little different to the other forms of inward investment which LFRs can reasonably expect to attract. For example, in the summer of 1999 the mobile phone company Orange announced the creation of a further 600 call centre jobs in the region. Several hundred of these are at a new site on North Tyneside. Ironically, while this new site was being purposely built the jobs were to be temporarily located at the recently moth-balled Siemens semi-conductor manufacturing plant in North Tyneside, a purpose-built heavily-subsidized 'hi-tech' building, which had been occupied for only one year by the manufacturing multinational prior to closure, as Siemens withdrew from production in the region. The real problem for regions such as those considered in this article is not reliance on call centres per se, but overreliance on inward investment in general. These regions look set to remain branch plant economies in the 'information age', just as they were in the 'industrial economy'. Unless political power structures are changed and huge resources are dedicated to overcoming the underlying long-term problems of these regions, in areas such as education and firm formation and survival, they will be condemned to the short-term solution of attracting the latest wave of mobile production, whatever that happens to be at any particular time.

Appendix

A Selection of Regional Development Agency Call Centre Slogans

'The Call Centre of Europe'	Irish Development Agency
'Your Call Centre Base in Europe'	Invest in Britain Bureau
'Your Northern Europe@n Connection'	Invest in Sweden Agency
'Your Call Centre in Belgium'	Belgacom
'The European Call Center Region'	Amsterdam City Council
'Europe's New Call Centre Alliance'	Rotterdam City Council
'Telecom Gateway to Europe'	The Hague Initiative
'Vienna Calling: Call Centre Location Vienna'	Vienna Business Agency
'London Calling: The Call Centre Capital of Europe'	London First
'Call Centre Scotland'	Locate in Scotland
'Your Ideal Call Centre Location'	IDB Northern Ireland
'Your Call Centre Solution'	Highlands and Islands of Scotland
'Call Centre Capital'	Glasgow Development Agency
'The Telebusiness Location'	Newcastle City Council
'Leeds: 0800 Capital of the UK'	Leeds Financial Partnership
'Call Centre Merseyside: A Pool of Talent'	Merseyside Partnership
'Make Manchester Your Call Centre'	Manchester Development Agency
'The Call Centre Partnership'	Kingston upon Hull Partnership
'The Cardiff and Newport Call Centre'	Cardiff and Newport

Location of Call Centres in North East England, Winter 1999

Company	Parent Sector	EZ/UDC^a	Local Authority	Location Type
London Electric	Energy	X	Sunderland	Doxford International BP
Northern Electric & Gas	Energy		Gateshead	Fifth Avenue, Team Valley BP
Transco	Energy		North Tyneside	Out of town campus
AA Insurance	Financial services	X	Newcastle	Newcastle BP
Abbey National	Financial services	X	Stockton	Teesdale BP
Arnott Insurance ^b	Financial services	X		Sunderland City Centre
Avco	Financial services	X	Sunderland	Doxford International BP
Barclaycall	Financial services	X	Sunderland	Doxford International BP
Barclaycard	Financial services	X	Sunderland	Doxford International BP
Churchill Insurance	Financial Services	X	Stockton	Teesdale BP
Eagle Star Direct	Financial services		Newcastle	City centre
Nat West	Financial services		Gateshead	Fifth Avenue, Team Valley BP
Newcastle Direct ^b	Financial services		Newcastle	City centre
Northern Rock ^b	Financial services		Newcastle	Out of town campus
		X	Sunderland	Doxford International BP
RAC Insurance	Financial services		Darlington	City centre
Royal & Sun Alliance	Financial services	X	Sunderland	Doxford International BP
Sage ^b	IT software		Newcastle	Out of town campus
Starpac ^b	IT support		Hartlepool	
Littlewoods	Mail order		Sunderland	Long-established edge of town

BT (inbound)	Telecoms		Various	Various
BT (outbound)	Telecoms		Newcastle	Out of town single occupier
One-to-One	Telecoms	X	Sunderland	Doxford International BP
Orange	Telecoms	XX	Darlington, North Tyneside, Peterlee	Yarm Road BP, Cobalt BP, Bracken Hill BP
Thistle Comms	Telecoms		Newcastle	Newcastle Quayside
Axciom	Third party	X	Sunderland	Doxford International BP
CJ Garland	Third party	X	Hartlepool	Hartlepool Marina BP
Convergys	Third party		Newcastle	City centre
EDS	Third party	XX	Peterlee	Bracken Hill BP x 2
Mailcom	Third party		Gateshead	Out of town warehouse Park
SSL	Third party	X	Sunderland	Doxford International BP
Topline	Third party		Gateshead	Vance BP
Virtuel	Third party	X	Peterlee	Bracken Hill BP
Airtours	Travel	X	North Tyneside	Royal Quays
British Airways	Travel	X	Newcastle	Newcastle BP
GNER	Travel		Newcastle	City centre
Going Places	Travel	X	North Tyneside	Royal Quays BP
Rail Direct	Travel		Newcastle	City centre

^a EZ/UDC refers to whether the area has Enterprise Zone or Urban Development Corporation status.

^b Locally owned or headquartered.

BP = Business Park

Call Centres Located in the Highlands and Islands of Scotland, Summer 1998

Company	Activity	Location	Call Centre Employees	Total Population
BT/Manpower	Telecoms support	Thurso	400	8269
BT/Manpower	Telecoms support	Alness	180	5588
Cap Gemini	Multi-client o/s ^c	Forres	110	8346
Cap Gemini	Multi-client o/s	Inverness	80	41,845
Cap Gemini	Multi-client o/s	Dingwall	300	5210
TSC ^a	Multi-client o/s	Rothsay	190	5347
TSC ^a	Multi-client o/s	Dunoon	30	9419
Database Direct	Multi-client o/s	Dunoon	155	9419
Database Direct	Multi-client o/s	Kinlochleven	11	1031
Bank of Scotland ^b	Telephone banking	Dingwall	60	5210

^a Locally owned with key directors living in HIE region.

^b Scottish headquartered company, though outside HIE region. The other companies are all headquartered outside Scotland.

^c Centres which undertake teleservice work on behalf of a number of other companies.

Source: Richardson and Gillespie (1998).

Notes

1. The figure of 100,000 given by Keen (1991) quoted by Richardson in a 1993 working paper proved to be exaggerated during personal correspondence with the Governor of Nebraska's office.

2. The term 'export-orientated call centres' is used to describe those whose main markets are outside their own region. We have not included public sector call centres, though a number of such centres are currently emerging.

3. Defined by the EU as regions whose development is lagging behind, and which are afforded priority for assistance under the Community's Structural Funds. Much of Spain, southern Italy, Portugal, Greece and Ireland are so designated. Within Britain, only Merseyside and the Highlands and Islands of Scotland are currently so designated, though Cornwall and South Yorkshire are soon to be due to their GDP per head falling below 75 percent of the EU average. The Highlands of Scotland have moved above this GDP threshold and will lose Objective 1. It has been granted Transitional Status in recognition of a range of other problems associated with its remoteness and economic structure.

4. ISDN (Integrated Systems Digital Network) refers to a set of standards allowing integrated transmission of voice, data and still pictures in digital form. ISDN was regarded as an advanced system at the time it was introduced to the Highlands, and the region was the first rural area in the UK to introduce such a system.

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