Chapter 5
The impact of outsourcing on job quality for call centre workers in the telecommunications and call centre subcontractor industries

Virginia Doellgast and Elisa Pannini

1. Introduction[1]

In recent decades, governments across the global North have liberalized their service markets and privatized major service providers with the aim of reducing prices, improving service quality, and enhancing competitiveness and innovation. Large firms have responded with restructuring measures intended to drive down costs and increase returns to shareholders. One set of strategies involves shifting service jobs that were formerly performed in-house to subcontractors specializing in industries such as IT, security services, catering and cleaning. These measures can have significant effects on the pay and conditions of service workers within core firms and across their increasingly complex production networks, as jobs move to employers that both face stronger cost pressures and are covered by weaker institutional protections.

Debates concerning the labour market effects of service market liberalization often focus on outcomes such as job creation or economic growth (Mattoo, Rathindran, and Subramanian 2001). Policy pundits argue that legislation aimed at privatizing large firms and further opening markets to competition represents a 'win-win' for consumers and for workers, resulting in lower prices, increased consumer choice, and an expanding number of service jobs (Megginson and Netter 2001). However, research has shown that policy-driven changes in markets and ownership can also contribute to declining pay and working conditions for some groups of workers, particularly those who are lower skilled or whose jobs can be most easily outsourced (Hermann and Flecker 2012; Keune, Leschke and Watt 2008). Within established firms and market segments,

1. This work was supported by the Economic and Social Research Council [grant number RES-061-25-0444].

increasing cost pressures lead employers to seek reductions in labour costs. Meanwhile, industry areas and firms experiencing job growth tend to have weaker or no collective bargaining institutions, and to be characterized by both more market-driven wage setting and more flexible employment contracts than incumbent firms.

In this chapter, we examine the effects of production network fragmentation on job quality in the telecommunications and call centre subcontractor industries. These sectors are closely linked. Incumbent telecommunications firms were pioneers in call centre technology and remain a major employer of call centre workers, both in-house and in subcontractors. As telecommunications markets have liberalized, large firms have shifted a growing number of call centre jobs to subcontractors, while often retaining a portion of these jobs in-house. They are thus a good place to look at the effects of subcontracting on job quality for both in-house and subcontracted workers, as well as the political dynamics of subcontracting decisions.

Findings are drawn from two research projects. The first is the 'Global Call Center Project', an international study of call centre management and employment practices based on establishment level surveys and case studies in 17 countries conducted in 2004-2005 (Batt, Holman and Holtgrewe 2009).[2] Although this research is now a decade old, it continues to be the most comprehensive survey of pay and working conditions in call centres worldwide, providing useful data for comparing differences across similar in-house and subcontracted workplaces. The second is a comparative study of employment restructuring in ten incumbent telecommunications firms, based on interviews, archival data, and site visits conducted between 2009 and 2014 (Doellgast, Sarmiento-Mirwaldt and Benassi 2013).[3]

2. The countries surveyed included Austria, Denmark, France, Germany, Israel, the Netherlands, Spain, Sweden, Canada, Ireland, UK, US, Brazil, India, Poland, South Africa, and South Korea. The survey results include data from 2,477 call centres, with total employment of 474,942. More details on the survey can be found in the international report by Holman, Batt, and Holtgrewe (2007: 47-51).
3. This study included incumbent telecommunications firms from Austria, Czechia, Denmark, France, Germany, Italy, Poland, Sweden, UK, and USA. Findings are based on over 150 interviews, as well as site visits, comparative data drawn from collective agreements and surveys of union representatives, and archival material. Case study findings focused on restructuring in call centre and technician workplaces.

In the following sections, we first review outsourcing trends in the telecommunications and call centre sectors, as well as associated changes in employment relations institutions. We then summarize the effects of these changes on pay and working conditions, focusing on two groups of employees: the in-house call centre workforce in large telecommunications firms and the externalized workforce in call centre subcontractors. The central question we examine is: how has the growing availability and use of call centre subcontracting by telecommunications firms affected the quality of call centre jobs? We argue that job quality has declined due to two related trends. First, the shift of work to subcontractors has meant that a larger proportion of employees are working in an industry segment that faces stronger cost pressures and has weaker collective bargaining institutions relative to in-house call centres. Second, the expansion of subcontracting also puts downward pressure on pay and conditions for remaining in-house call centre workers through a process of benchmarking and concessions. We conclude with a discussion of the role that employment relations and labour market institutions play in moderating these trends.

2. Liberalization and production network fragmentation: telecommunications and call centre services

The telecommunications industry has transformed over the past two decades from one organized around national markets and dominated by state-owned telecommunications operators to a highly competitive information services industry. Technological changes led to falling costs associated with establishing competing networks and to the emergence of new market segments such as mobile, internet, and cable. National governments in Europe fully or partially privatized incumbent firms – in the mid-1980s in the UK and in the 1990s in the rest of Europe – and passed laws aimed at curtailing their market power. EU directives were central to the timing and form of these regulatory changes, as they required member states to end monopolies and establish full competition by 1998.

The call centre industry has grown parallel to these changes, but also benefited more broadly from similar trends of liberalization and privatization affecting a wide range of service industries. While large firms often operate their own internal call centres, they also are able to take advantage of an increasingly sophisticated and diverse range of subcontracted services offered by large multinational firms, such as Sykes, TeleTech, and Convergys. Convergys is an interesting case, as it was originally established through a merger of two call centre subsidiaries owned by the US-based incumbent telecommunications firms AT&T and Cincinatti Bell. Today Convergys is one of the largest firms in the call centre subcontracting industry, owning 150 'service centers' in 31 countries with 125,000 employees (Convergys 2014).

Telecommunications firms are among a wide range of clients in diverse industries that contract out call centre work. However, they represent a significant proportion of the subcontractor market. 51% of call centre subcontractors included in the GCC survey reported that they served the telecommunications industry (authors' calculations). The telecommunications and subcontractor industries also represent a large proportion of total call centre jobs. In 2011, an estimated 12% of agent positions in UK call centres were in the 'communications industry,' while 10% were in 'outsourcing and telemarketing' – representing the largest sectors after finance and retail (Contact Centre Operations Labour Market Report 2012: 22).

The restructuring strategies adopted by telecommunications firms are thus closely linked to the emergence and expansion of the call centre industry. In the following sections, we review research findings concerning the effects of these restructuring strategies on job quality, drawing on survey data and case study examples.

3. Job quality in call centre subcontractors

Job quality is most directly affected when large service firms move existing or new call centre jobs to subcontractors that have lower pay and conditions compared to their in-house workforce. The decision to subcontract call centre work is often based on a range of considerations. These newer firms can realize efficiencies through specialization and investment in new technologies. However, research findings suggest that a major source of cost savings is their ability to adopt lower wage structures and exercise more unilateral control over the flexibility and intensity of labour deployment compared to their clients.

Comparative findings show that pay and working conditions differ systematically between in-house and subcontracted call centres. Across the countries included in the survey, typical wages for in-house agents were on average 18% higher than those of agents in subcontractors (Holman *et al.* 2007). Based on an analysis of a subset of countries in the GCC survey, Batt *et al.* (2010) found that in-house call centres paid an 8.5% wage premium on average compared with subcontractors, controlling for the effects of human capital and other variables (see also, Batt *et al.* 2009; Van Jaarsveld and Yanadori 2011). In our ten-country comparison of incumbent telecommunications firms, we also found systematic differences in pay rates for in-house and subcontracted call centre staff handling similar call types and customer market segments. The largest gap was in the US, UK, Germany and Denmark, where typical pay at subcontractors was 20-50% lower than that enjoyed by the in-house workforce (Doellgast *et al.* 2013).

Other findings from the GCC survey show systematic differences in job quality across a range of measures. Subcontractors employed a larger proportion of part-time and temporary workers across diverse national and regulatory settings, and had higher dismissal and turnover rates – suggesting lower levels of job security (Batt *et al.* 2009; Van Jaarsveld Kwon and Frost 2009; Shire, Schonauer, Valverde and Mottweiler 2009). They invested almost 50% less in entry training, with significantly shorter training duration and qualification periods (Batt *et al.* 2009). In addition, jobs in subcontractors were characterized by lower complexity and discretion (Holman *et al.* 2007), and adoption of high-involvement management practices was less widespread, with significantly higher intensity of electronic performance monitoring (Batt, Doellgast and Kwon 2004; Doellgast, Holtgrewe and Deery 2009; Doellgast 2008). These practices are of particular concern for employee health, as more intensive performance monitoring in call centres has been found to contribute to higher levels of strain (Taylor *et al.* 2003), increasing rates of emotional exhaustion (Deery *et al.* 2002), depression and anxiety (Holman 2002), and musculoskeletal disorders (Sprigg *et al.* 2007).

What are the reasons for these differences in pay and working conditions between in-house and subcontracted call centres? Research findings from the two studies analysed in this chapter suggest three related explanations.

First, subcontractors face intense pressure from their clients to keep costs low and flexibility high. They must continually prove the value of their services relative to those of the in-house workforce – but also compared to other subcontractors offering similar services. Contracts are often short, and can be withdrawn by client firms if targets are not met. This high level of competition means that margins are increasingly low, and cost-based considerations are central in decisions related to wage setting, work design, and scheduling practices.

Second, call centres are a ‘new’ sector with weaker (or no) collective bargaining institutions. Call centre jobs often cut across traditional industries, with subcontractors serving clients as diverse as retail firms, financial institutions, collections agencies, and, of course, telecommunications firms. In countries with low bargaining coverage overall, like the US and UK, call centre subcontractors often have very low or no union presence. Unions in continental European countries have succeeded in establishing collective bargaining institutions in this sector, but there are large differences across countries in the structure and coverage of sectoral agreements. For example, Austria, Denmark, France, Italy, the Netherlands, Spain and Sweden all have sectoral agreements either specifically for call centre subcontractors or for more broadly defined service industries (Doellgast, Batt and Sorensen 2009; Doellgast *et al.* 2013). However, often these companies have some choice concerning which agreement to apply, resulting in ‘shopping around’ for the most favourable terms and conditions. Where there is no automatic extension of collective agreements, such as in Denmark and Sweden, subcontractors are able to avoid applying sectoral collective agreements, giving them often unilateral control over pay and conditions. Germany represents a more extreme case where there are no sectoral agreements for the call centre or telecommunications industries, and only one major collective agreement at a call centre subcontractor.

Third, these problems are exacerbated by several characteristics of the international call centre industry that make it difficult for unions to organize workplaces or to use collective action to improve existing terms and conditions. First, large multinational service providers increasingly dominate the industry, and these firms are able to offer clients remote services from a wide range of regions and countries. Corporate headquarters are often located far from the locations where work is performed. The global strategies of these multinationals typically are based on creating a standardized ‘product’, in the form of efficient service and sales work. This is secured through intensive electronic performance monitoring and highly individualized performance management practices, as well as avoiding unionization where possible. Second, call centre work is highly mobile. The ease with which work can be shifted ‘with the flip of a switch' provides these companies with a powerful threat they can use to discourage workers from seeking to unionize or worker representatives from attempting to push for improvements in pay and conditions. These problems are exacerbated in the case of offshore outsourcing, as cost savings associated with moving work from Europe to regions such as South Asia or North Africa can be substantial – from 30-50% of the cost of using domestic subcontractors. Third, high turnover rates further discourage union organizing, as it is difficult for unions to maintain stable membership (Taylor and Bain 2001).

In sum, subcontractors face strong market- and client-based pressure that encourage them to adopt an employment model characterized by intensive performance monitoring, low pay and highly flexible employment contracts. At the same time, they are better able to pursue this model than their in-house client firms because the characteristics of the industry make it difficult both to apply existing sectoral collective agreements and to organize and represent the subcontracted workforce.

4. Challenges of organizing call centre subcontractors and improving job quality for the subcontracted workforce in 'social European' countries

Case studies from Denmark, Sweden and Germany illustrate the challenges that labour unions face in two areas: first, in organizing call centre subcontractors; and, second, where they have successfully organized works councils or collective agreements, in using institutionalized bargaining rights to secure substantive improvements in pay and conditions. These three countries are selected because they are all continental European countries with traditions of strong unions and encompassing collective bargaining. Thus, they represent cases in which we would expect unions to have comparatively strong institutional resources to extend gains won in major firms and industries to these externalized jobs.

In Denmark, the Union of Commercial and Clerical Employees (HK) is the major union responsible for the call centre industry. While call centres could follow white-collar sectoral agreements, most agreements with subcontractors were at company level, and a large number of subcontractors did not adhere to collective agreements. HK was seeking to challenge this through organizing campaigns at several major call centre firms – with one focal campaign at 'Go Excellent', a major subcontractor for the Swedish telecommunications firm Telia. A union organizer estimated that Go Excellent had starting pay levels of around 70-80 DKK/hour, compared to 110-120 DKK/hr at Telia.

A distinctive challenge the union faced in encouraging the company to apply a collective agreement was presented by a historic agreement applying to employers who were members of associations negotiating white-collar agreements. This stated that labour unions could not strike or picket employers to encourage them to apply the collective agreement until they could document that at least 50% of the workforce were union members. As Go Excellent was a member of an employers' association, the union was bound by the 50% union membership rule. However, Go Excellent had established a new outbound department as a separate company, which was not tied to this association. This made it easier for HK to organize, and they got an agreement for a minimum salary after 6 months tenure of 129 DKK/hr – which was higher than other Go Excellent employees received after 5-6 years (Interview, HK Privat organizer, 26/4/12). At the same time, the union had not succeeded in organizing the larger company, and was not optimistic that it would pass the 50% membership threshold, as the workforce was young, turnover was high, and union members could be easily dismissed due to Denmark's weak employment protections. Although it is illegal to fire a worker for union activities, union representatives noted that it was very difficult to prove this in the labour courts, particularly in sectors or jobs where turnover is high.

A second example is from Sweden. In contrast to the situation in Denmark, the white-collar union, Unionen, succeeded in organizing a sectoral agreement for call centre subcontractors, and many large subcontractors followed the agreement or negotiated company-level agreements. However, some call centres did not follow collective agreements. One of these was a small call centre company, Focus CRS, located in Northern Sweden – which had very low pay and no notice period for dismissals or layoffs. In 2013, after a colleague was refused sick pay, a group of employees organized with Unionen and sought to negotiate an agreement with management. The company refused, and workers went out on strike. The story of the strike gained wide media attention and the intervention of the Swedish Minister of Industry and Trade. However, management responded by closing the centre and laying off its workers. The strike was viewed by the union as a success, in that it illustrated to other subcontractors the potential risk of operating without a collective agreement in Sweden. At the same time, this case also demonstrates the limitations of collective action in an industry characterized by highly mobile work: management was able to respond to a successful organizing campaign by shutting down the call centre and moving jobs elsewhere.

A third example from Germany illustrates the large challenges unions and works councils face in improving pay and conditions at call centre subcontractors, even where they have successfully established collective bargaining (see Doellgast 2012: 95-108 for more detail). 'Client Services Germany'[4] is a major Germany-based subcontractor with several thousand employees. In the late 1990s, employees organized works council elections and negotiated a collective agreement with the support of the service union ver.di. Prior to the establishment of a works council, management practices were driven by headquarters and clients, who were closely involved in monitoring and setting performance goals. The works councils used their co-determination rights to seek to negotiate a number of improvements in working conditions, but always within the constraints of maintaining low costs and flexibility. Working time accounts were introduced to provide increased income stability. However, management maintained its discretion to increase or decrease staffing based on changes in call volumes. The works council negotiated strict rules prohibiting electronic monitoring of individuals. However, where these conflicted with client demands, the works council agreed to exceptions, negotiating several separate agreements to regulate how the company used data collected for each client within the framework of distinctive monitoring systems.

One of the most difficult challenges Client Services' works councils faced was maintaining solidarity across locations in the face of competition for jobs. Management used differences in labour costs and practices to argue for desired changes to works agreements. In one example, a works council in one East German location negotiated a separate job security agreement that applied only to that location, and in exchange employees worked an additional 25 hours each year without pay, used in part for additional training. Works councillors noted that this competition made it difficult for them to seek improvements in conditions, particularly if they would create additional costs that could disadvantage their location.

4. Case study name is a pseudonym.

This was combined with more general pressure to keep labour costs in line with those in the (mostly non-union) subcontractor industry.

These three examples illustrate the industry and political dynamics in the call centre subcontractor sector that contribute to lower pay and conditions, as well as the challenges faced by unions and workers seeking to use traditional collective bargaining institutions to improve job quality in this industry. These challenges were similar across Denmark, Sweden and Germany, despite differences in industrial relations institutions – with higher bargaining coverage and some sectoral agreements for subcontractors in Denmark and Sweden. However, they also suggest that a common weakness in all three countries concerns the voluntary nature of adherence to collective agreements. Despite relatively strong unions and collective regulation of work, the lack of state involvement in extending minimum terms and conditions is a considerable liability where there are strong cost pressures and thus significant incentives for employers to remain outside the formal bargaining system. The examples point to some potential sources of leverage to organize works councils, use co-determination rights creatively, and use organizing and strike tactics. However, they also suggest that these face an uphill battle in the face of competition between locations for highly mobile work and strong pressures by clients to keep costs low and flexibility high.

5. Benchmarking and concessions in in-house telecommunications call centres

The previous section discussed the shift of jobs to firms and workplaces characterized by lower pay and conditions relative to similar in-house jobs. A second concern is with how these trends affect job quality for the in-house call centre workforce within the firms that contract out work. As established incumbent firms expand their use of subcontracting, their in-house workers find themselves increasingly competing with a lower paid, more flexible externalized workforce. The emergence of a new market-based benchmark of pay and conditions associated with subcontracted services is often used as justification for changing or renegotiating employment contracts for in-house workers. This can occur via concession bargaining or through more unilateral adoption of management practices mirroring those in subcontractors.

The political dynamics involved in 'whipsawing' or 'coercive comparisons' between plants or workplaces competing for investment and jobs within multinational firms have been extensively documented (e.g. Edwards, Rees and Coller 1999; Greer and Hauptmeier 2014; Mueller and Purcell 1992). However, subcontracting has often been argued to be characterized by less direct or intense worker-to-worker competition. This is based on two assumptions, rooted in labour market segmentation theory or 'insider-outsider' arguments. First, jobs that are subcontracted are seen as qualitatively different from those retained in-house – including simpler tasks that are more easily codified and further from a firm's core competency, or work that is subject to more fluctuation in demand. Second, 'insider' groups of permanent, core workers are viewed as having a shared interest with management in allowing this work to be outsourced to firms with lower labour costs, to protect their own pay and conditions.

These assumptions have been challenged by recent research demonstrating the widespread use of benchmarking employment practices and labour costs between subcontractors and in-house workers. Several large international studies, including the Global Call Center project, have shown that this competition not only leads to declining working conditions 'downstream' in value chains, but can also undermine conditions for core workers as a broader range of jobs are potential targets of restructuring (Doellgast, Batt and Sorensen 2009; Flecker and Meil 2010; Flecker 2009; Hermann and Flecker 2012). Where unions are present, they often use diverse tactics to challenge outsourcing – which can include negotiating limits on the types and amount of work outsourced and extending collective agreements to subcontractors. However, these have varied success: under conditions of declining union density and bargaining coverage or increasing cost pressures, unions often find that the only effective strategy to halt or reverse outsourcing is to agree to reduce pay and increase flexibility for certain employee groups (Doellgast 2008b; Pulignano and Keune 2014). Work is thus kept in-house under better conditions than in subcontractors, with stronger representation structures and protections. However, over time, this can lead to growing similarity in employment practices between the two industry segments.

The dynamics can be illustrated by two case studies, Deutsche Telekom in Germany and TDC in Denmark (see Doellgast and Berg 2015; and Doellgast, Sarmiento-Mirwaldt Benassi 2013 for more detail).

Deutsche Telekom (DT) reorganized its call centre jobs in several waves. Outsourcing happened gradually over the late 1990s to early 2000s, although this did not directly affect in-house staff due to strong job security agreements. In 2004, DT established a subsidiary called Vivento Customer Services (VCS) to handle call centre work both across the company as well as to compete in the subcontractor market. The union agreed that existing staff would have their pay cut by 8.75%, in exchange for an extension of job security until 2008. Then between 2006 and 2008, DT transferred most of its VCS locations to two call centre subcontractors, Walter Services and Arvato. Those employees who moved to Arvato had the terms of their existing collective agreement secured through 2009, after which employees were asked to sign individual contracts with lower pay and conditions – accompanied by the informal threat that jobs would be moved to other locations if employees refused to sign. Employees who moved to Walter Services were automatically transferred to its (lower paid) collective agreement with ver.di, based on a provision in German law that provides an exception to transfer of undertakings rules when both firms are covered by agreements with the same union. In both cases, the transferred call centre workers experienced a pay cut of around a third of their former salary, increased monitoring, and declining control over their working time.

In the middle of this, in 2007, DT announced that it planned to shift 50,000 of its technical service, technical infrastructure and call centre jobs to three new subsidiaries. Ver.di responded with a six-week strike, with strong support from its membership. However, the union faced a number of challenges to building bargaining power in negotiations. One of the most worrying for ver.di was that DT had publicly threatened to sell the service subsidiaries to subcontractors if it was unable to get a favourable agreement. Under the agreement eventually reached, transferred workers took pay cuts of more than 10 per cent, and new employees were to earn 30 per cent below the former level. Variable pay also increased, and Saturdays were included in the regular work week in call centre operations. Management agreed to extend layoff protections until 2012, to refrain from selling the new service subsidiaries until 2010, and to offer 4,150 jobs at the subsidiaries to DT apprentices.

Despite lower labour costs, the proportion of call center work outsourced from the new subsidiary continued to grow. Internal call center employment had declined from around 18,000 in 2007 to 12,000 in 2010. At the same time, 11,000 employees were working for subcontractors.

Management used the gap in pay and conditions between the two groups to benchmark costs and productivity. An agreement with ver.di and the subsidiary's works council in 2011 introduced a series of changes aimed at providing more flexibility in-house, with the goal of reducing the use of subcontractors and stabilizing the internal workforce. One key component of this was to give management the flexibility to hire employees for shifts for which subcontractors were more intensively used – i.e. late nights and weekends. The works council agreed that students and younger employees could be hired on part-time contracts to cover these shifts. All new call centre employees hired after 2011 were on these contracts working 20-30 hours/week, with shifts from 12 pm to 12 am. The proportion of part-time employees had been 20 per cent in the past; as a result of the change in hiring, this increased to 40 per cent by 2014. In addition, a pilot project was initiated, providing employees with three different options of alternative working time models – each with different degrees of choice and flexibility. The new '3 model' system of working time was rolled out on different business/lines every three months throughout 2014. In exchange, management undertook to stabilize internal employment and reduce the use of subcontractors and temporary agency workers. Between 2011 and 2013, the number of subcontractor employees declined from 11,000 to 6,000.

TDC initially did not subcontract call centre jobs, instead relying on a combination of in-house centres, a dedicated call centre subsidiary and temporary agency workers. In 2011, TDC management announced that they were considering outsourcing call centre work, and asked the workforce to agree to changes in working time rules intended to reduce costs and increase flexibility to bring these more in line with those in the external subcontractor market. In response, the union Dansk Metal negotiated an agreement in 2011-12 that introduced a new overtime policy, whereby employees would finish up with their final customer, with any overtime beyond their contractual working hours put into a 'time bank'. Management could then send employees home early for an equivalent period of time when there was less demand. However, employees continued to receive an overtime premium of 150% of typical pay for the first hour and 200% for every further hour.

This new working time model was successful in gaining a commitment from management to keep the jobs in-house for a period of two years. However, in 2014 management demanded additional concessions, again using the threat of outsourcing. This time the demands were more extensive, including the elimination of paid breaks and lunches for new hires in their first two years; reduced pensions; cuts in overtime pay to a smaller 115% premium; and no pay for the first 5 minutes and last 10 minutes at work. A shop steward observed that management used comparisons with typical employment contracts and conditions at call centre subcontractors to argue for these changes (TDC shop steward, 30/10/2014).

When the union refused to accept the concessions, TDC announced that it would outsource 800 call centre employees to the US service provider Sitel, representing around half the call centre workforce across TDC. Workers transferred to Sitel have their conditions and workplace secured for one year, until the end of 2016. After that they will have to choose between moving to, or remaining at, a call centre in Sønderborg, Denmark and moving to London – where Sitel operates a call centre staffed by Nordic language speakers. Those staying in Denmark would be moved to Sitel's company-level collective agreement, which has lower pay and conditions compared to the TDC agreement, while the London location is not covered by collective bargaining. A shop steward pointed out that young people without any family commitments could take advantage of these new opportunities, but workers with families would find it difficult to relocate (Interview, 30/10/2014). Workers on temporary contracts at the time of the transfer – constituting a substantial portion of the workforce at some locations – will not have their contracts renewed.

These two case studies illustrate the negative effects subcontracting can have on pay and conditions for the in-house call centre workforce, through a process of benchmarking and concessions. Where concessions were not made, or deemed insufficient by management to close the gap in labour costs between the in-house and subcontracted workforce, call centre jobs and often the in-house workers in those jobs were moved to more poorly regulated subcontractors. This shows that worker developments in new subcontracting industries are closely linked to changes in working conditions in traditionally 'core' workplaces – particularly for those jobs most at threat of further subcontracting.

6. Conclusions

This chapter has discussed the effects that call centre subcontracting has had on job quality for call centre workers, with a focus on the telecommunications industry. Understanding the political dynamics associated with restructuring decisions that shift jobs from established incumbent firms to subcontractors is crucial for evaluating the social consequences of changes in markets and ownership. Business interests often argue that competitive markets encourage more efficient allocation of resources via productivity improvements and product and technological innovations. However, research on the politics of and outcomes from outsourcing demonstrates that lower prices and expanding profits can also result from organizational strategies that allow firms to reduce wages and shift risk onto workers. In sectors and workplaces where the latter is a more significant driver of competitiveness than the former, service market liberalization is likely to lead to the expansion of insecure and low wage jobs. These effects should be taken into consideration when evaluating the economic and social impact of liberalization policies.

The research reviewed in this chapter demonstrates that the growth of a new, poorly regulated sector of call centre subcontractors has been associated with declining job quality for employees performing call centre work. Subcontractors offer workers lower pay, less secure jobs, more use of variable 'at risk' pay systems, higher use of invasive monitoring practices, and less worker control over schedules and breaks compared to similar 'in-house' call centres. As call centre work is outsourced, pay and standards across firms' increasingly fragmented production chains suffer. In addition, the in-house workforce has to compete with outsourced and offshored employees via benchmarking of costs and performance. This can lead to a downgrading of job quality via concessions or the wholesale shift of workers to new employers.

While the findings discussed in this chapter are rooted in the specificities of the call centre industry, with case studies drawn from European 'coordinated' economies, they apply more broadly to many subcontracted services in diverse institutional settings. In his book on the 'fissured workplace', Weil (2014) argues that a major source of the savings from subcontracting comes from its success in reducing labour costs via downward pressure on pay and working conditions. As wage setting is turned over to companies and individuals operating in increasingly competitive environments, the social aspects of wage setting in large firms are transformed into a pricing problem. Weil describes these developments in the US, where institutional protections for many workers in large firms are minimal in international comparison.

These findings raise the question of how these pressures can be reduced, to expand the capacity of worker representatives to organize and represent new service workplaces and to avoid concession bargaining in established industries undergoing liberalization. Several broad implications for public policy and union strategy can be derived from the findings presented.

First, encompassing collective bargaining institutions are an important tool both for establishing greater parity of job quality across in-house and subcontracted workplaces and for maintaining favourable pay and conditions for in-house workers. Although outsourcing is not always transparently a cost cutting strategy, the outsourcing of call centre jobs from unionized workplaces does often have this motivation. Lower labour costs and more flexible employment practices are possible due to low union density and bargaining coverage in the subcontractor sector. Benchmarking of labour costs and employment practices then inhibits worker representatives in both segments from organizing for improvements – instead encouraging a strategic focus on retaining jobs at any cost. In continental European countries with traditions of sectoral bargaining, state policies and union organizing efforts should aim to extend these institutions to new sectors and to establish greater parity of terms and conditions for call centre workers in different sectors. The Swedish and Danish examples of union campaigns in call centre subcontractors described in this chapter provide evidence that unions are seeking to leverage institutional forms of bargaining power in new ways to organize within the sector. Further examples of these campaigns are discussed in Chapter 8 of this volume.

Second, as outsourcing exacerbates the power imbalance between labour and management, it is necessary to strengthen legislation aimed at remedying this imbalance. Transfer of undertakings legislation can increase the costs associated with transferring workers to subcontractors and temporarily protect the employment conditions of transferred workers. At Deutsche Telekom and TDC, transfer of undertakings rules and agreements resulted in the short-term protection of pay and conditions as in-house workers were transferred to call centre subcontractors. However, there were few lasting effects of these provisions: in both companies, pay and conditions were brought down to a lower level after the transition period ended. This suggests that transfer of undertaking legislation itself could be modified to support longer-term stability in collective agreements. For example, employees' rights to maintain their former terms and conditions could be extended on an indefinite basis; or legislation could require that subcontractors apply the collective agreement of their clients' workforce.

Even strengthened legislation is likely to have limited effectiveness given the international scope of multinational service firms and international mobility of call centre work. The TDC case shows that even in Nordic countries, call centre jobs can be offshored to lower wage locations – in that case, to London. Thus, a third observation is that union campaigning and organizing efforts should seek not only to establish more encompassing institutions within countries, but also to extend negotiated protections across core firms' domestic and international production networks. On the one hand, bargaining power within large employers could be mobilized to negotiate provisions requiring subcontractors to maintain pay and conditions at a certain level. On the other hand, unions could use the transfer of existing members to subcontractors as a strategic opportunity to organize collective action aimed at securing improvements. At the international level, European Works Councils (EWCs) provide one lever for establishing cross-border communication between worker representatives and consultation with multinationals on their international restructuring practices. Most of the major European incumbent telecommunications firms have EWCs, as well as many major subcontractors – for example, Sitel. France Telecom is a distinctive case in which a world works council has been established, and a global agreement negotiated with the global union federation UNI-ICTS. Conditions in call centre subcontractors have been a limited focus to date – understandably, given the already large challenges of improving conditions in subsidiaries in regions with lower pay and conditions such as Eastern Europe and Africa. However, these consultative bodies provide some scope for future framework agreements aimed at improving conditions in outsourced and offshored call centres.

Efforts to organize across the production networks of multinational service firms could complement current international union campaigns focused on call centres. UNI-ICTS sponsors a 'Global Call Centre Action Month' every year and organizes international conferences that bring together call centre workers from diverse industries and countries to discuss their shared challenges and lessons learned from successful campaigns. These serve to encourage exchange of best practices and build international solidarity among union activists campaigning for improved conditions in call centres around the world. These efforts face an uphill battle, but are a necessary part of efforts to improve job quality in call centre subcontractors and avoid the erosion of terms and conditions for the remaining in-house workforce.

References

Batt R., Doellgast V. and Kwon H. (2004) U.S. call center industry report 2004 national benchmarking report strategy, HR practices & performance, CAHRS Working Paper #05-06, Ithaca, Cornell University, School of Industrial and Labor Relations.

Batt R., Holman D. and Holtgrewe U. (2009) The globalization of service work: comparative institutional perspectives on call centers: introduction to a special issue of Industrial & Labor Relations Review, ILRReview, 62 (4), 453-488.

Batt R., Nohara H. and Kwon H. (2010) Employer strategies and wages in new service activities: a comparison of co-ordinated and liberal market economies, British Journal of Industrial Relations, 48 (2), 400-435. doi:10.1111/j.1467-8543.2010.00789.x

CfA (2012) Contact centre operations: labour market report 2012, London, CfA business skills @ work. http://www.oph.fi/download/145729_Contact_Centres_LMI_2012_.pdf

Convergys (2014) Convergys company overview.
http://www.convergys.com/company/company-overview.php

Deery S.J., Iverson R. and Walsh J. (2002) Work relationships in telephone call centres: understanding emotional exhaustion and employee withdrawal, Journal of Management Studies, 39 (4), 471-496. doi:10.1111/1467-6486.00300

Doellgast V. (2008a) Collective bargaining and high-involvement management in comparative perspective: evidence from U.S. and German call centers, Industrial Relations, 47 (2), 284-319. doi:10.1111/j.1468-232X.2008.00521.x

Doellgast V. (2008b) National industrial relations and local bargaining power in the US and German telecommunications industries, European Journal of Industrial Relations, 14 (3), 265-287. doi:10.1177/0959680108094135

Doellgast V. (2012) Disintegrating democracy at work: labor unions and the future of good jobs in the service economy, Ithaca, ILR Press.

Doellgast V., Batt R. and Sorensen O.H. (2009) Introduction: Institutional change and labour market segmentation in European call centres, European Journal of Industrial Relations, 15 (4), 349-371. doi:10.1177/0959680109344366

Doellgast V. and Berg P. (2015) Negotiating flexibility: external contracting and internal working time control in German and Danish telecommunications firms, Draft paper.

Doellgast V., Holtgrewe U. and Deery S. (2009) The effects of national institutions and collective bargaining arrangements on job quality in front-line service workplaces, Industrial and Labor Relations Review, 62 (4), 489-509.

Doellgast V., Sarmiento-Mirwaldt K. and Benassi C. (2013) Alternative routes to good jobs in the service economy: employment restructuring and human resource management in incumbent telecommunications firms, Final Project Report ESRC Grant RES-061-25-0444. http://www.esrc.ac.uk/my-esrc/grants/RES-061-25-0444/outputs/read/be077186-d4cf-43e9-88a5-e42ae32bb2e6

Edwards T., Rees C. and Coller X. (1999) Structure, politics and the diffusion of employment practices in multinationals, European Journal of Industrial Relations, 5 (3), 286-306.

Flecker J. (2009) Outsourcing, spatial relocation and the fragmentation of employment, Competition & Change, 13 (3), 251-266. doi:10.1179/102452909X451369

Flecker J. and Meil P. (2010) Organisational restructuring and emerging service value chains: iImplications for work and employment, Work, Employment and Society, 24 (4), 680-698.

Greer I. and Hauptmeier M. (2014) Management whipsawing: the staging of labor competition under globalization, Industrial and Labor Relations Review, 1–39 (Draft accepted).

Hermann C. and Flecker J. (eds) (2012) Privatization of public services: impacts for employment, working conditions, and service quality in Europe, New York, Routledge.

Holman D. (2002) Employee wellbeing in call centres, Human Resource Management Journal, 12 (4), 35-50.

Holman D., Batt R. and Holtgrewe U. (2007) The global call centre report: international perspectives on management and employment, Sheffield, Global Call Centre Research Network.

Keune M., Leschke J. and Watt A. (2008) Introduction: Liberalisation, privatisation and the labour market, in Keune M., Leschke J. and Watt A. (eds) Privatisation and liberalisation of public services in Europe: an analysis of economic and labour market impacts, Brussels, ETUI, 13-34.

Mattoo A., Rathindran R. and Subramanian A. (2001) Measuring services trade liberalization and its impact on economic growth: an illustration, Policy Research Working Paper 2655, Washington, DC, World Bank.

Megginson W. L. and Netter J. M. (2001) From state to market: a survey of empirical studies on privatization, Journal of Economic Literature, 39 (2), 321-389.

Mueller F. and Purcell J. (1992) The Europeanization of manufacturing and the decentralization of bargaining: multinational management strategies in the European automobile industry, The International Journal of Human Resource Management, 3 (1), 15-34.

Pulignano V. and Keune M. (2014). Understanding varieties of flexibility and security in multinationals: Product markets, institutions variation and local bargaining. European Journal of Industrial Relations, 1–17. doi:10.1177/0959680114527880

Shire K. A., Schönauer A., Valverde M. and Mottweiler H. (2009) Temporary work in coordinated market economies: evidence from front-line service workplaces, Industrial and Labor Relations Review, 62 (4), 602-617.

Sprigg C. A., Stride C. B., Wall T. D., Holman D. J. and Smith P. R. (2007) Work characteristics, musculoskeletal disorders, and the mediating role of psychological strain: a study of call center employees, Journal of Applied Psychology, 92 (5), 1456-1466.

Taylor P. and Bain P. (2001) Trade unions, workers' rights and the frontier of control in UK call centres, Economic and Industrial Democracy, 22 (1), 39-66.

Taylor P., Baldry C., Bain P. and Ellis V. (2003) 'A unique working environment': health, sickness and absence management in UK call centres, Work, Employment and Society, 17 (3), 435-458. doi:10.1177/09500170030173002

Van Jaarsveld D., Kwon, H. and Frost A.C. (2009) The effects of institutional and organizational characteristics on work force flexibility: evidence from call centers in three liberal market economies, Industrial and Labor Relations Review, 62 (4), 573-601.

Van Jaarsveld D. D. and Yanadori Y. (2011) Compensation management in outsourced service organizations and its implications for quit rates, absenteeism and workforce performance: evidence from canadian call centres, British Journal of Industrial Relations, 49 (Supplement s1), s1–s26. doi:10.1111/j.1467-8543.2010.00816.x

Weil D. (2014) The fissured workplace: why work became so bad for so many and what can be done to improve it, Cambridge, Harvard University Press.