

# Negotiating Flexibility: The Politics of Call Center Restructuring in the United States and Germany

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Germany was long viewed as a model coordinated economy, known for its strong laws that granted unions a “public status” (Offe 1981). While U.S. unions bargained at the enterprise level and focused on more narrow economic issues, German unions acted as national political actors with a broad social agenda (Wever 1995, Thelen 1991, Turner 1991, Streeck 1984). Today, worker representatives are reorienting their strategies to more competitive product and capital markets in both countries, while managers enjoy increased discretion to escape collective bargaining and introduce variation in agreements at the workplace level. These trends are of particular concern in service industries, which have lower rates of union membership and are less likely to be covered by collective agreements than “core” manufacturing sectors.

How do firm strategies, national institutions, and union bargaining power affect working conditions in new service industries? In this dissertation I compare union effects on organizational and human resource management strategies in call centers, a relatively new form of frontline service work that is both highly mobile and the focus of cost-cutting and rationalization efforts in a variety of industries. I focus on two industry sectors: telecommunications, which continues to have strong unions in both countries, and the third-party call center industry, which is a newer sector made up of firms with weaker or no unions that often perform subcontracted call center work for telecommunications firms.

Case study and survey data support three main findings. First, globalization of competition and market liberalization are contributing to a convergence in product market strategies in the U.S. and German telecommunications industries. Second, as firms respond to intensified price-based competition, they have adopted similar organizational strategies of outsourcing, consolidating, and segmenting their call center jobs—which, in turn, undermines coordinated bargaining. As a result, wage levels and outsourcing decisions

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increasingly depend on bargaining power at the organizational level rather than workers' statutory rights. Third, human resource practices still vary systematically between countries, due in part to persistent national differences in the strength and breadth of worker participation rights. German managers generally adopt a professional human resource management model, while their U.S. counterparts rely more often on a managerial control model that combines discipline with low job discretion and electronic monitoring.

Findings contribute to debates over the future of distinct varieties of capitalism at a time of growing market liberalization and declining union power. Rather than presenting a simple "convergence" versus "divergence" view of industrial relations or contrasting national models with market-driven best practices, I argue that national institutions have varied effects on firm strategies at different levels of decision making. Union influence over organizational restructuring decisions is increasingly dependent on localized bargaining power. However, the participation rights institutionalized in national law still lead to distinct national patterns of human resource management strategies.

## **Research Strategy**

Empirical findings are drawn from expert interviews, case studies, and identical establishment level surveys of call center workplaces. I use a structured case comparison strategy with four matched pairs of organizations in the telecommunications and third-party vendor industries in the United States and Germany. The cases are matched by (1) industry subsegment (established or emergent) and (2) presence or absence of collective representation (unions and works councils). The eight cases represent a range of workplaces, from those with strong regulation and more sheltered markets to those with weak regulation and intense competition. In total, I conducted close to three hundred interviews with managers, union and works council representatives, supervisors, and employees.

I also analyze data from identical establishment-level surveys administered to call center managers between 2003 and 2004.<sup>1</sup> In the United States 472 establishments were surveyed, with a 62 percent response rate, while in Germany 154 establishments were surveyed, with a 52 percent response rate. The surveys included questions concerning human resource management practices, flexible work design, compensation, levels of employee discretion over their work, and the labor relations environment. This multilevel research strategy allowed me to develop grounded theory from qualitative findings using structured case study comparisons and then to test the generalizability of the findings from these cases to the sectoral level using original survey data.

## Research Findings

The first chapter provides an overview of the debates from political economy and industrial relations that inform my argument. In chapter 2 I describe parallel processes of market liberalization and industry restructuring in the U.S. and German telecommunications industries. Firms have responded to growing price-based competition and changing market demand by introducing similar restructuring measures, spinning off business units, merging with former competitors, and entering into joint ventures at home and abroad. As a result, collective bargaining is becoming increasingly decentralized and fragmented in telecommunication unions' traditional strongholds, and many firms in expanding industry areas are successfully avoiding unions altogether.

In the next two chapters I analyze organizational and workplace-level restructuring in telecommunications and third-party call centers. In chapter 3 I show that organizational restructuring has undermined traditional structures of collective representation in both the United States and Germany. Call centers today are expected to operate as "profit centers" rather than "cost centers," as managers focus on improving customer service and sales, customizing services for different customer groups, and cutting labor costs for more transactional jobs. Telecommunications firms have responded by moving some portion of their call center work to vendors or separate business units. The third-party call center vendor industry has grown in both countries, and today it provides a cheap and flexible alternative to performing work in-house. Call center vendors have substantially lower union density, few collectively negotiated contracts, and, in Germany, weaker works councils. These trends have contributed to growing diversity in pay and working conditions and increased competition for jobs across networked call center locations.

Unions and works councils consistently fought the consolidation of call center work in both countries, preferring to avoid the job losses and centralization of management control associated with remote mega-centers. However, worker representatives in Germany were initially more willing to accommodate some outsourcing to protect the wages and working conditions of their members, while those in the United States fought outsourcing through public campaigns, strikes, and concessions. This had some effect on organizational restructuring decisions. While U.S. firms subcontracted out whole areas of work that were not protected by collective agreements, German firms outsourced calls during late nights, weekends, and when call volume peaked to gain additional scheduling flexibility. However, the objectives of unions in both countries became more similar over time: to keep more work in-house and to accept internal segmentation in return for job security. German unions'

weakened position means they have had to accommodate growing variation in working conditions across call center jobs within and across firms.

Despite their stronger bargaining rights, German union and works councils did not enjoy systematically more influence over these organizational restructuring decisions than U.S. unions. Instead, their success depended on firm-level differences in bargaining leverage. In the United States this leverage differed across regions based on the history of union militancy, labor laws, and leverage over regulatory decisions, and across companies based on the strength of cost-based competitive pressure. In Germany leverage varied across firms with different collective bargaining structures. Worker representatives enjoyed the most influence where there was both high membership density and close relations between unions and works councils at different levels of the organization. In both countries unions relied on their residual power in core firms to negotiate strong agreements on decisions like outsourcing that were outside of their formal bargaining rights.

In chapter 4 I compare the human resource management practices adopted in four sets of matched pair case studies in the telecommunications call center vendor industries. In all of the firms managers had implemented broad changes in work organization, compensation, and performance evaluation to improve sales, retain customers, and provide more differentiated services. However, managers took different approaches to work restructuring. German unions and works councils used their strong codetermination rights to promote a professional model of work design with high levels of employee participation and discretion. In contrast, U.S. unions were unable to prevent managers from adopting a managerial control model that intensified monitoring and discipline.

While German call centers had generally adopted a more professional management model, the case studies also showed variation within Germany between firms with stronger unions and works councils and those with only works councils or no collective representation. Efforts to intensify monitoring and introduce individual incentives were more successful where works councils were newer or had weaker relationships with a union. In the United States unions partnered over work redesign and sought to influence practices like performance monitoring and variable pay but had difficulty sustaining partnerships due to their weaker rights to negotiate over these decisions.

In chapter 5 I analyze data from an international survey of call center establishments to examine whether these findings can be generalized to a broader subset of industries. Multivariate analysis shows that national and collective bargaining contexts explained differences in human resource practices, including scheduling, work organization, and performance management.

German call centers adopted a more professional model than U.S. centers in each of these areas, with more employee discretion and less pervasive monitoring; and they had significantly lower turnover. These effects were larger for call centers with both unions and works councils in Germany, while in the United States union presence was associated with lower turnover and less use of a managerial control model in performance management but more of a managerial control model of scheduling and work organization.

## Conclusions

Comparative political economists have long argued that distinct competitive strategies and complementary national institutions explain differences in the restructuring decisions of U.S. and German firms (Hall and Soskice 2001, Thelen 2001). Evidence from this study suggests that even in industry sectors where product market strategies are converging and institutions are becoming more fragmented, restructuring strategies continue to diverge systematically across the United States and Germany. Worker representatives in Germany have used their strong codetermination rights to encourage managers to adopt a more professional approach to human resource management, even in workplaces characterized by peripheral jobs that are under intense cost-cutting pressures. At the same time, these rights may be increasingly undermined as the coverage of coordinated bargaining institutions declines and as firms avoid these institutions through outsourcing to more poorly organized workplaces. Unions in both countries thus face similar challenges as they seek to extend and maintain strong collective bargaining in these new, highly mobile service workplaces.

## Note

1. These surveys are part of the "Global Call Center Project," a research project coordinated by Rosemary Batt, David Holman, and Ursula Holtgrewe and involving teams from twenty countries. Surveys were administered over the phone by survey teams at Cornell University (2003) and the University of Duisburg (2004).

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