

# The Globalization of Service Work: Comparative Institutional Perspectives on Call Centers

ROSEMARY BATT

In the last two decades, call centers have emerged in countries around the globe as an important source of employment. Yet these centers, which handle remote customer service and sales via technology, are controversial. Companies and consumers may benefit from lower costs, but customers are often disgruntled by the poor quality of service. Workers are often dissatisfied by jobs that offer routine work, low pay, and dead-end careers. Women, who comprise about 70 percent of the workforce, face wage and job insecurity as countries compete for call center jobs on the basis of low wages. Governments find that these cost-focused centers offer little in the way of economic development. Finally, unions find it hard to organize workers because turnover and use of contingent workers is high and employers can easily close sites and move to lower-wage areas.

In this context, comparative international research offers the opportunity to describe management practices and examine how and why they differ across countries. The Global Call Center Research Network emerged in 2004 as a collaborative effort to answer these questions. It grew to include over fifty scholars in nineteen countries from North America, South America, Europe, Africa, and Asia. They produced numerous reports and papers on the factors that shape the qual-

ity of jobs and customer service in this sector.<sup>1</sup> The research team based its findings on extensive qualitative field research in each country coupled with a national survey of call centers in seventeen of the countries, which yielded an international database of 2,500 establishments covering roughly 500,000 employees.

This large-scale collaborative effort allowed researchers to tackle an important debate about the global economy: whether globalization has led to a convergence in employer strategies across countries or whether national institutions continue to play an important role in shaping employment systems. Because call centers are highly standardized, technology-driven operations that are easily replicated or transferred around the globe, they offer a unique window on this debate. If institutions matter in this sector, they are likely to matter in many others where work is more complex and less mobile. This study also diverged from prior studies in that it was larger in scale and scope, it took a sectoral approach, it compared advanced and emerging market economies, it combined qualitative and quantitative methods, and it used a nearly identical survey of establishments in each country.

## The Convergence-Divergence Debate

The study uncovered a surprising set of findings. First, the sector is not as highly

“globalized” as the conventional media characterization would suggest. Rather, it emerged simultaneously in many countries in the last decade or so, due largely to reduced costs of telecommunications and the widespread availability of off-the-shelf call center technologies. This led to the *parallel development* of the sector in many countries, but not to extensive offshoring. Over 90 percent of call centers in this study serve their own domestic market and not foreign customers. The exceptions include Canada, India, and the Philippines—countries that foreign multinationals have particularly targeted for offshore operations. In 2008, the US call center workforce was about four million, with only about 12 percent of the US market served by offshore locations.<sup>2</sup>

Second, the study showed that there is no convergence toward a single dominant production model, even in this sector with very standardized technologies and work processes. Rather, call centers show a complex pattern of convergence and divergence in management and employment practices. Aspects of work that are market driven or technology driven are quite similar across countries. These similarities can be attributed to the role of global IT consulting firms, which promote the widespread use of off-the-shelf technologies and, in addition, set up the systems and performance metrics that drive standardization in employees’ work routines. There are, however, substantial differences across countries in the organization of work, human resource practices, and the extent and nature of collective representation—dimensions of work that are more influenced by national institutions and norms.

Third, within countries, different employer business strategies—particularly

organizational restructuring and outsourcing—are leading to new forms of labor market segmentation. Workers who perform similar jobs have quite different working conditions and pay. Finally, collective representation matters: on average, those centers with union and/or works council representation offer better jobs and pay compared to those without representation.



© Fotosearch

### **Business Strategies, Institutions, and the Quality of Jobs**

The role of national industrial relations systems in shaping the quality of jobs and customer service in call centers is particularly noteworthy. Drawing on the Varieties of Capitalism literature,<sup>3</sup> we began by distinguishing between liberal and coordinated market economies. Whereas liberal market economies, such as Canada, the United States, the UK,

and Ireland, rely primarily on markets and prices to coordinate economic activity, coordinated economies such as those in continental Europe and Scandinavia rely more on political processes of negotiation, persuasion, and consensus building. Firms in liberal economies tend to rely on managerial prerogative to control workforce effort, while those in coordinated economies make more use of the consultation and negotiation with labor representatives to gain labor stability and cooperation.

We found important differences in the level of collective representation at work. Compared to centers in liberal and emerging market economies, those in coordinated economies have substantially higher levels of collective representation: 71 percent have some form of collective representation (18 percent have union agreements only, 14 percent of centers have works councils only, and 39 percent have union agreements plus works councils). In liberal and emerging market economies, the percent of centers with union representation is 20 percent and 35 percent, respectively (most of these countries do not have mandated works councils).

In addition, employers in coordinated economies typically design jobs with higher levels of individual discretion, less electronic performance monitoring, and more opportunities for group work and collaboration. This probably reflects the role of works councils in pressuring management for better working conditions, as well as the role of national norms and consumer pressure for high quality service. Indeed, the presence of both a union and works council agreement was associated with the best outcomes for job quality—with lower dismissals, greater use of high-involvement work practices,

and lower performance monitoring compared to establishments with no collective bargaining. In liberal economies, the union effect on job quality was much weaker overall.<sup>4</sup> By contrast, however, call centers in coordinated economies have substantially higher proportions of contingent and part-time employees, which may be explained by employment protection laws that make it difficult to lay off workers in response to market fluctuations.<sup>5</sup>

Within countries, employers' strategic choices, in particular customer segmentation and business process outsourcing, also shape the quality of jobs and service and have led to new forms of labor market segmentation.<sup>6</sup> Firms have segmented customers into distinct value-added groups—for example, business customers versus mass market customers—and employers restructure each call center to handle a specific target group. In virtually every country, employees serving business customers enjoy substantially better jobs—higher discretion, higher pay, and lower performance monitoring—than those serving the mass market or general public.<sup>7</sup>

Similarly, in almost all countries, the quality of jobs in outsourced centers is substantially lower than in in-house operations. Subcontractors offer lower-discretion jobs, have higher levels of performance monitoring, make greater use of part-time and temporary workers, pay lower wages, and are less likely to be covered by union contracts.<sup>8</sup> Subcontractors handle eighty calls per employee per day, compared to sixty-five in in-house centers. Forty-eight percent of subcontractors reported jobs with little or no discretion, compared to 35 percent of in-house centers. Subcontractors hire 40 percent more part-time and contingent workers, they invest 50 percent less in initial training,<sup>9</sup> and on average, they pay between 10 and 15 percent less than in-house centers.<sup>10</sup>

Large-scale comparative international studies provide a lens for understanding the nature of globalization and its effect on workers and consumers. Sectoral studies in particular provide a fine-grained view of management practices and allow us to compare “apples to apples” across different institutional arenas. By unpacking the patterns of globalization in different sectors, we are beginning to understand the nuanced and varying processes of international competition and contestation. These international comparisons show employer attempts to evade institutionalized norms alongside new institution building to counter the race to the bottom.

#### NOTES

1. This article summarizes the collaborative work of over fifty researchers in nineteen countries over a five-year period. See [www.globalcallcenter.org](http://www.globalcallcenter.org).
2. R. Batt, D. Holman, and U. Holtgrewe, “The Globalization of Service Work: Comparative Institutional Perspectives on Call Centers,” Introduction to a Special Issue of *Industrial & Labor Relations Review* 62, no. 4 (2009), 453–88.
3. P. Hall and D. Soskice, “An Introduction to Varieties of Capitalism,” in *Varieties of Capitalism: The Institutional Foundation of Comparative Advantage*, ed. D. Soskice (New York: Oxford University Press, 2001), 1–70.
4. V. Doellgast, U. Holtgrewe, and S. Deery, “The Effects of National Institutions and Collective Bargaining Arrangements on Job Quality in Front-line Service Workplaces,” *Industrial & Labor Relations Review* 64, no. 4 (2009), 489–509.
5. K. Shire, A. Schonauer, and M. Valverde, “The Adoption of Precarious Employment Forms in Protected Employment Economies: The Case of Call Centers in Austria, Germany, and Spain,” *Industrial & Labor Relations Review* 62, no. 4 (2009), 602–17; D. van Jaarsveld, H. Kwon, and A. Frost, “The Effects of Institutional and Organizational Characteristics on Work Force Flexibility: Evidence from Call Centers in Three Liberal Market Economies,” *Industrial & Labor*

*Relations Review* 62, no. 4 (2009), 573–601.

6. In qualitative research, we identified employer strategies leading to new forms of labor market segmentation in Continental Europe, where employers have increasingly evaded labor and employment regulations that historically have limited labor market inequality. V. Doellgast, R. Batt, and O. Sorensen, “National Differences, Institutional Change, and New Forms of Labour Market Segmentation: Evidence from European Call Centres,” Introduction to a Special Issue of *European Journal of Industrial Relations* 15, no. 4 (2009), 1–23.
7. D. Holman, S. Frenkel, O. Sorensen, and S. Wood, “Work Design Variation and Outcomes in Call Centers: Strategic Choice and Institutional Explanations,” *Industrial & Labor Relations Review* 62, no. 4 (2009), 510–32.
8. R. Batt, D. Holman, and U. Holtgrewe, “The Globalization of Service Work: Comparative Institutional Perspectives on Call Centers,” Introduction to a Special Issue of *Industrial & Labor Relations Review* 62, no. 4 (2009), 453–88; V. Doellgast, U. Holtgrewe, and S. Deery, “The Effects of National Institutions and Collective Bargaining Arrangements on Job Quality in Front-line Service Workplaces,” *Industrial & Labor Relations Review* 64, no. 4 (2009), 489–509.
9. I. Sieben, A. de Grip, J. Longen, and O. Sorensen, “Technology, Selection, and Training in Call Centers,” *Industrial & Labor Relations Review* 62, no. 4 (2009), 553–72.
10. R. Batt and H. Nohara, “How Institutions and Business Strategies Affect Wages: A Cross National Study of Call Centers,” *Industrial & Labor Relations Review* 62, no. 4 (2009), 533–52.

---

#### Rosemary Batt

*Rosemary Batt is the Alice Hanson Cook Professor of Women and Work at the ILR School, Cornell University. Her research focuses on the comparative international studies of management and employment relations, with particular attention to the globalization and restructuring of service industries and its impact on low-wage workers.*