

**Call Centres in Germany –**  
Preliminary Findings from the Global Call Centre  
Project - Germany  
Report for the Russell Sage Foundation (April 2005)

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# Call Centres in Germany

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## Introduction

Call centres in general serve a wide variety of functions in a range of organisational or networked contexts. Their common denominator is that they specialise in customer contact over the phone supported by networked information and communication technology. On this basis, call centre functions range from standardised taking of orders to professional consulting services. Thus, call centres embody the fluidity of organisational boundaries and the range of companies' strategic options: Companies may outsource or insource that specialisation, and the design of customer contact is tied to the 'design' of markets by differentiating customers, products and services in the process (Batt 2000; Arzbächer et al. 2002).

The report is based on a standardised survey administered by phone to managers of 300 telephone call centres which were randomly sampled from a database of 2,700 German call centres.<sup>1</sup> This database was compiled by the German GCC project. The project used databases of regional development agencies in 8 German *Bundesländer*, plus internet-based membership lists of call centre and marketing initiatives, and added the database of the previous, trade union-funded SOCA project which ran a previous call centre survey. These databases were combined, cleaned and brought up to date. The response rate was 51.3 % (n = 154).<sup>2</sup>

### 1. The Industry

In Germany, the expansion of the call centre sector started later than in the US and UK, in the mid-1990s. As elsewhere it was lead by telecommunications and financial services, but soon independent service contractors, which had often developed from direct marketing and office service companies, offered call centre services to other industries. Deregulation in telecommunications, financial services and utility markets, an increasing market-orientation of organisations in general, and the development of information and communication technologies supporting both standardised and complex services contributed to these developments (Shire et al. 2002; Arzbächer et al. 2002).

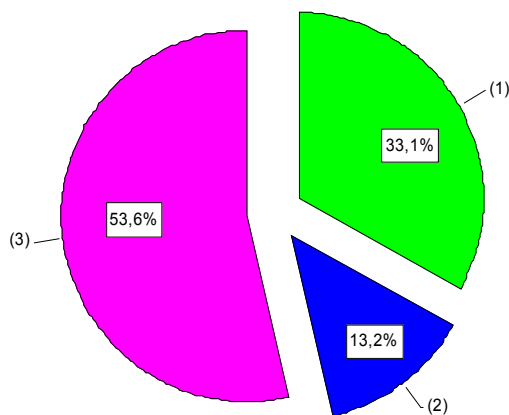
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<sup>1</sup> Considering that Datamonitor in 2002 estimated 2800 call centres in Germany (Call Center profi 11/2002) while Tenzer (2002) had counted 1297 call centres, and that there has been some consolidation in recent years (cf. Weinkopf et al. 2002; Arnold/Ptaszek 2003); the figure may underrate the number of in-house call centres but is well within the range of other estimates. It is, however, closer to the higher band of these estimates.

<sup>2</sup> The German case study of the Global Call Centre Project is funded by Hans-Böckler-Stiftung, Germany.

Call centres thus come in a variety of organisational forms: as independent and possibly networked contractors or as company units specialising in customer contact. Apart from the established distinction of in-house and independent call centres, we introduced a category of “outsourced subsidiaries”, which means a call centre in which customer contact functions have been outsourced by mother companies. These call centres are legally separate companies with close ties to their mother companies and may or may not offer their services on a wider market. Such outsourcing often happens in order to escape from collective agreements. In the sample for this study, 33.1 % of call centres were units within a company, 13.2 % had been outsourced, and 53.6 % were service contractors<sup>3</sup> (See Figure 1.1).

*Figure 1.1: Call centre as in-house, outsourced, or subcontracted operations*



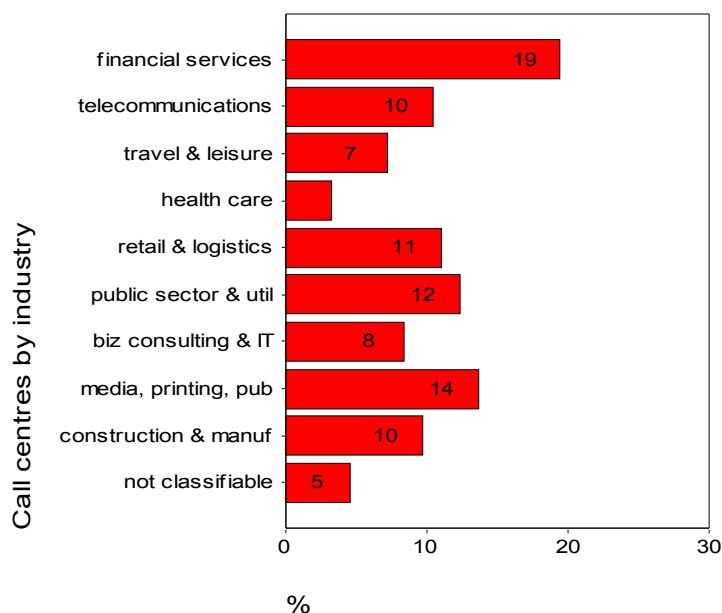
- (1) In-house operation
- (2) Outsourced subsidiary
- (3) Service contractor

The sample also represents the wide variety of industries that is served by call centres, as shown in Figure 1.2. Notably, our industry categorisation refers to industries that each call center primarily serves, not to call centres' location in the respective industry. For example, call centres working for the public sector are not necessarily situated in the public sector but may well be independent contractors, and indeed 63.2% of them are. Their presence shows that call centres

<sup>3</sup> Due to the sample size, most of the results presented here are not statistically significant but must be regarded as tendencies.

are no longer restricted to private business. Almost 20 percent of the centres in this study serve financial services companies, (i. e. banking and insurance), while 13.6%, serve media, printing and publishing, 12.3% serve the public sector (including public utilities and welfare organisations), 11 percent serve retail and logistics activities, and 10.4 percent telecommunications. Call centres serving manufacturing represent 9.7% of the sample. The discussion of industries in the report will concentrate on these six categories. Our sample includes too few cases of other sectors for them to be analyzed separately: IT and consulting call centres (8.4%), travel and leisure call centres (7.1%), not classifiable ones (4.5%), and health care (3.2%).

*Figure 1.2: Call centres by industry*



Still, in-house and outsourced call centre activities are unequally distributed among client industries. The financial services sector (58.6%) has above-average proportions of in-house call centres and few independent contractors. In telecommunications and retail, the sectors are split: 43.8% of call centres serving retail and 40% of telecommunications call centres are in-house, while 56.3% and 53.3% respectively are independent service contractors. By contrast, independent contractors figure prominently in manufacturing (86.7%) and the public sector (63.2%) – that is, here, most customer contact work is outsourced to specialist service companies. Outsourced subsidiaries are notable in media/publishing call centres (23.8%) and financial services (17.2%). In the public sector, 15.8% of

call centers are outsourced subsidiaries. These are primarily the result of spin-offs from public utility companies rather than local governments or other public entities.

This pattern of outsourcing and subcontracting is in line with two concepts from strategic management: The resource-based view of the firm and the notion of core competencies (cf. Hild 2003). Both theories suggest that companies gain competitive advantage by organising tangible and intangible resources in such ways that they develop dynamic capabilities (Teece et al. 1997) and core competencies (Prahalad/Hamel 1990). Activities that do not contribute to the development of core competencies may thus be outsourced. Applying these concepts to call centres, Hild (2003) argues that companies in which customer contact through the phone is close to established core competencies and knowledge bases can be expected to keep their call centres in-house. Those in which customer contact and/or telephone interaction are more peripheral are likely to use independent contractors. Such contractors may also be used to generate additional business, to run marketing campaigns, or to take over other project- or campaign-based work. The outsourcing of work to subsidiaries gives the concept a specific meaning: If a parent company outsources its call centres to a subsidiary, they may be expected to develop competencies of their own in customer contact. However, the parent company's strategic motive may be to escape from collective agreements, which may lead to a downgrading of working conditions and pay compared to previous standards in the industry.

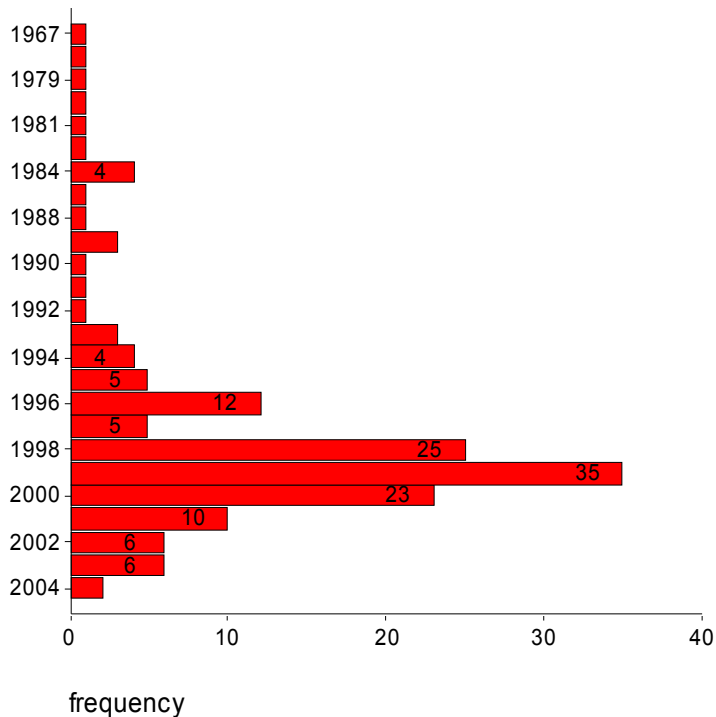
In the German case, customer contact work is close to established core competencies in financial services, but quite remote from competencies in manufacturing. Telecommunications and retail, the sectors split between in-house and independent call centres, provide core services distinct from customer interaction. However, certain large players in these sectors, such as mail-order and telecommunications companies, already have considerable experience in organising customer contact by telephone. From case studies, we know that these very industries also have in-house and independent call centres networked and competing with one another. Thus, the strategic motive for using external service companies is to gain flexibility and capacity while also cutting costs.

Outsourcing call centre operations to subsidiaries also has this effect. In industries where outsourced subsidiaries figure prominently, the core business is distinct from customer contact; but they have a large and sufficiently continuous need for such interactions to keep an outsourced subsidiary busy.

The public and utility sector and the media/publishing sector fit this description.

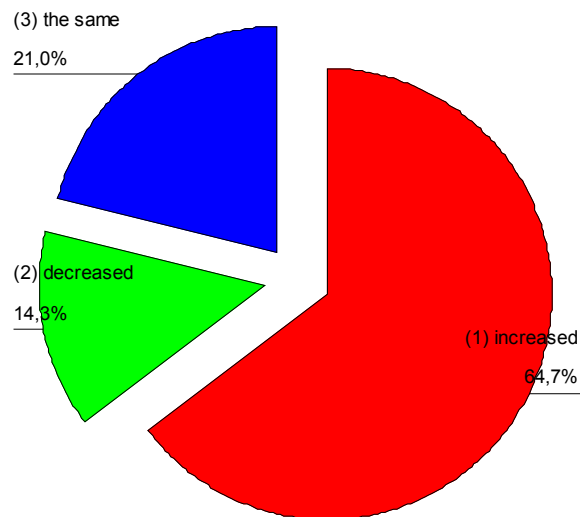
Call centres in Germany are a young organisational form. In this sample, the majority of call centres (53.2%) were established in 1999 or later (see Figure 1.3). Over 50 percent of the sample in this study began in the 1999-2001 period.

Figure 1.3: Number of call centres by year of establishment



The growth rate of these centres also appears to be robust (Figure 1.4), but in-house centres report slower sales growth relative to outsourced subsidiaries or independent contractors – the latter of which are growing the most rapidly. Sixty-five percent of the managers surveyed in this study said that their sales had increased in the last two years, and the average increase was 50.2% over the two year period. Only 14.3% of respondents, by contrast, reported a decrease in sales. The average decrease in these cases was 22.5%. A third group, 21.0% of managers, reported no change in sales since 2002. The proportion of call centres with increasing sales was higher for independent contractors than for in-house or subsidiary call centres: 74.3% of independent contractors reported sales increases, while only half of in-house or subsidiary call centres did. The independents also reported the highest average level of sales growth – an average of 62.5%. In-house call centres had the highest rate of sales reduction, at an average of 20.0%. Outsourced subsidiaries with 37.5% of stagnating sales were well above the average. Thus, both in-house and subsidiary call centres appear to operate at some distance from market pressures for growth.

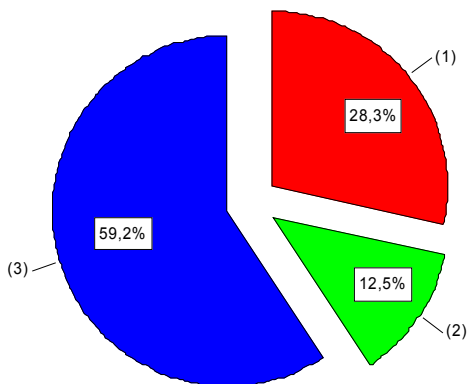
Figure 1.4: Changes in the growth of call centre sales since 2002



Call centres also vary in their strategies of customer segmentation. While some choose to target only one segment – for example, business or mass market consumers – others serve both. In the U.S., customer segmentation is highly developed (Batt, Doellgast, and Kwon 2004). In this study of Germany, however, the majority of centres (59.2%) address both business and consumer markets. Another 28.9% only serve business customers, while 12.8% only target the consumer market (Figure 1.5). Of the consumer-oriented call centres, 84.2% are in-house, and more than half of these specialise in inbound customer service. By contrast, the large majority of business-only call centres (79.1%) are operated by independent contractors.

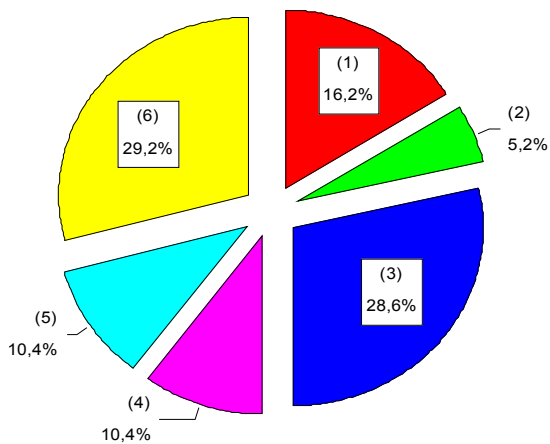
This difference may be due to German consumer protection laws, which make it illegal for marketing call centres to cold-call private households with whom there has not been a previous business relationship. These legal prohibitions, however, do not cover business-to-business transactions. Since outbound telemarketing is a specialized and highly transactional type of operation, companies tend to outsource their telemarketing operations to subcontractors. Hence, 83.8% of call centres specialising in outbound telemarketing in the sample are independent contractors. Targeting the mass market only would limit the activities of marketing call centres unduly. Indeed, of the independent contractors specialising in outbound telemarketing, 46.7% serve business customers only, while 50% address both business and consumer markets.

Figure 1.5: Markets served by call centre



- (1) Business customers only
- (2) Consumer market only
- (3) Business and consumer market

Figure 1.6: Market segmentation including agents' specialisation

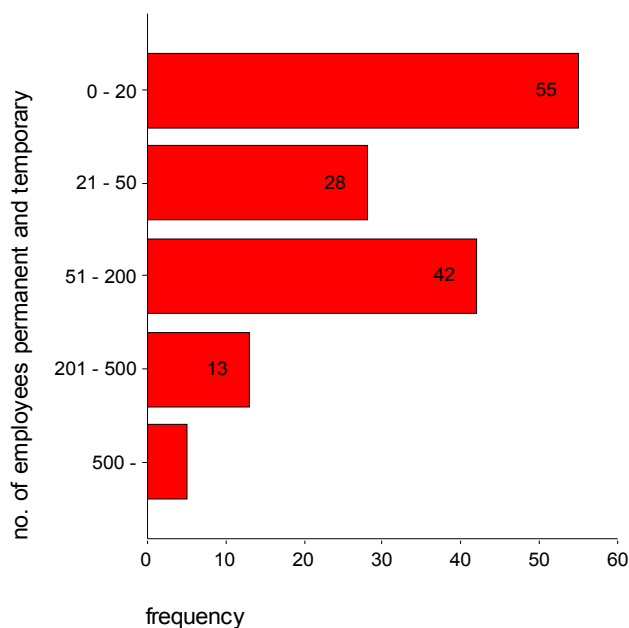


- (1) Large business only
- (2) Small business only
- (3) Mass market only
- (4) Large and small business
- (5) Small business and mass market
- (6) All markets

If we consider customer segmentation further, as Batt et al. (2004), have done (i. e. including agents' specialisation), the picture gets more complex (Figure 1.6): 29.2 % of call centres have agents who serve all markets, while 28.6% have agents who address the mass market only. Sixteen percent of call centres work with large business customers only, while 10.4% work with large and small businesses. Another 10.4% work with both small businesses and the mass market, and only 5.2% of call centres have their agents target small businesses exclusively. In this report, for reasons of sample size, we will report differences between those centres that primarily serve business customers versus those that primarily serve consumers.

The call centres in this study also vary in size, but in general they are not very large. The average number of employees (permanent plus temporary) is 115.5. with a range from 2 to 3,000 (Figure 1.7)

*Figure 1.7: Number of permanent and temporary employees*



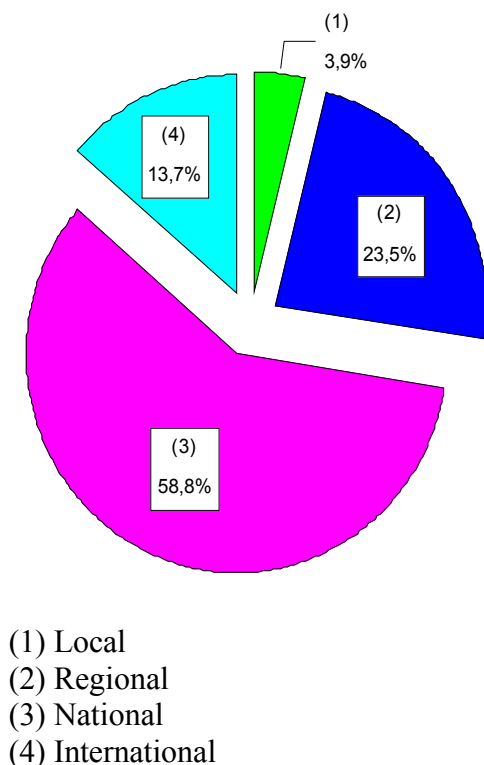
In-house call centres (with an average of 79.7 employees) tend to be smaller than the average, while independent contractors are larger (131.2). Among contractors, the business-only call centres have only 55 employees, on average, while those serving both businesses and consumers have 198 employees. By industry, larger-than-average call centres are found in telecommunications (423.9) and retail (158.8). Smaller than the average call centres are found in media and publishing (92 employees), financial services (89.6), and the public sector (61.9%).

For the majority of call centres (70.3%), their largest volume of calls is inbound, while the remainder (29.7%) have primarily outbound calls. Inbound call centres also tend to provide customer service only or customer service and sales, while the overwhelming majority of outbound centres specialize in marketing. Few call centres identify themselves as specialised hotlines offering problem-solving services over the phone.

The business strategies favoured by German call centres are long-term customer relations (45.6%) and specialised services (35.6%). Only two call centres admitted to a decided price leadership strategy. However, the meaning of 'long-term customer relations' may be ambiguous. One manager of a service call centre had the following interpretation: "If you want to establish long-term customer relations, you have to be the price leader". Hence, a focus on long-term customer relations does not necessarily indicate a decided quality strategy.

The internationalisation of call centres in Germany still is limited: Most call centres (58.8%) are national in scope; 23.5% have a regional focus, while 13.7% have an international market (Figure 1.8).

*Figure 1.8: Scope of Call Centre Markets*



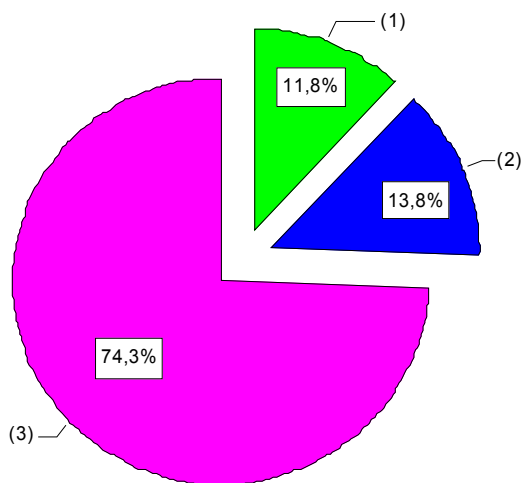
## 2. The presence of unions and employer associations

The presence of unions and employer associations in call centres is limited, but not irrelevant. In Germany, the system of industrial relations has two legally distinct levels, the industry level and the plant level. On the industry level, the ‘collective agreement law’ (*Tarifvertragsgesetz*) defines industrial unions and employers’ associations as social partners and commits them to collective bargaining. Collective agreements are usually negotiated at the level of industries and regions. In recent years, industry level agreements have declined in coverage while those at the firm level (“*Verbetrieblichung*”), have increased. To capture these patterns in our survey, we asked about both industry- and company-specific level agreements. Such agreements may regulate wages, working time, and some aspects of working conditions.<sup>4</sup> The legal basis for industrial relations at the plant level is the ‘Work Constitution’ (*Betriebsverfassungsgesetz*), which regulates co-determination through works councils. In companies with five or more employees, both unionised and non-unionised workers may be represented by an elected works council that has information, consultation, and co-determination rights.<sup>5</sup> Works councils co-determine work-schedules, and – important in the case of call centres – new technology that can be used to control workers’ performance and behaviour. They also co-determine payment systems (but not wage rates, which are negotiated through collective bargaining at the multi-employer or industry level). They must be informed and/or consulted over issues of work organisation, job content, training, and personnel policy and planning. Management must negotiate with the works council over all issues covered by the co-determination law. Negotiated arrangements are detailed in ‘plant-specific agreements’ (*Betriebsvereinbarungen*) and apply to all employees. Although unions have made some inroads into call centres in recent years (Arzbächer et al. 2002; Kutzner/Kock 2003; Doellgast 2004), call centres still are a problematic field for them. Collective agreements exist in 25.7 % of call centres, with almost equal proportions of industry- (11.8%) and firm-specific agreements (13.8%) (Figure 2.1).

<sup>4</sup> Collective agreements formally apply only to association members. By not joining or leaving employers’ associations, companies are able to avoid the industry-wide agreements.

<sup>5</sup> Such councils are not mandatory, but elections must be called when demanded by either three employees or by a union with at least one member in the company. For plants with more than 200 employees, a certain proportion of works council members are exempted from their regular jobs, and they work full-time for the works council. In smaller plants, works councils serve voluntarily, but conduct necessary duties on company time.

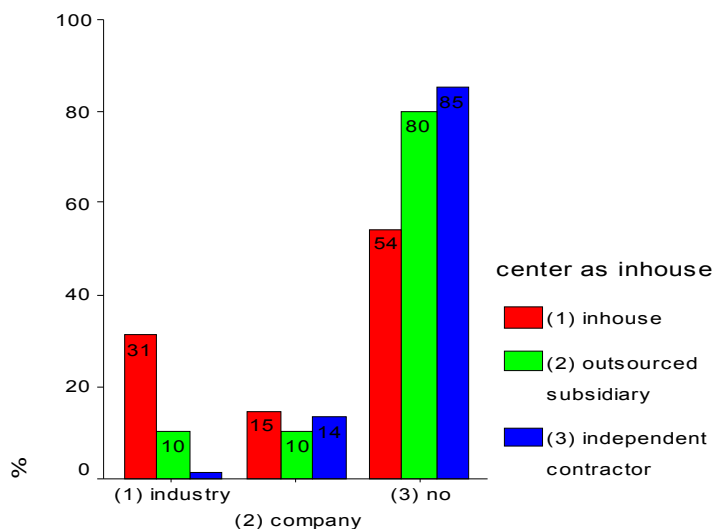
Figure 2 1: Collective agreements in call centres



- (1) Industry specific agreement
- (2) Company specific agreement
- (3) No agreement

Collective agreements are unequally distributed among in-house, outsourced subsidiary, and independent contractor call centres. The large majority of subcontractors (85.2%) and outsourced subsidiaries (80.0%), and also 54.2 % of in-house call centres are not covered by collective agreements at all (Figure 2.2). There also is a marked difference between the call centres under industry- and company-specific agreements. Eighty-three percent of all industry-specific agreements and another 35% of company-specific agreements are found in in-house call centres. Those centres coming under industry-specific agreements also are remarkably small, with 32 employees on average. By contrast, call centres with company-specific agreements have 217 employees, on average. Independent subcontractors account for 55% of the company-specific agreements.

Figure 2.2: Collective agreements by type of call centre



By customer segment served, more than 90% of business-only-call centres are not covered by collective agreements. Call centres serving consumer and business customers have two thirds of both industry- and company-specific agreements. Consumer-only centres, which mostly are in-house operations, have 27.8% of industry-specific and 23 % of company-specific agreements. In sum, call centres under industry-specific agreements are likely to be small, in-house operations, and typically are included in the agreement that applies to their parent company. Call centres under company-specific agreements tend to be large and are likely to be independent providers (or in-house) that serve either the mass market or both business and mass markets. These large independent contractors can be said to form the core of a call centre “industry” in Germany (Arzbächer et al. 2002). However, so far there is no employer association for them to bargain with collectively and no noticeable interest by companies in forming one. While unions have made inroads in collective bargaining in the subcontracting 'industry', these are found at the company level and are likely to remain that way for some time. The development of industrial relations in this sector thus appears to be “Verbetrieblichung”, the shift of collective bargaining to the company level.

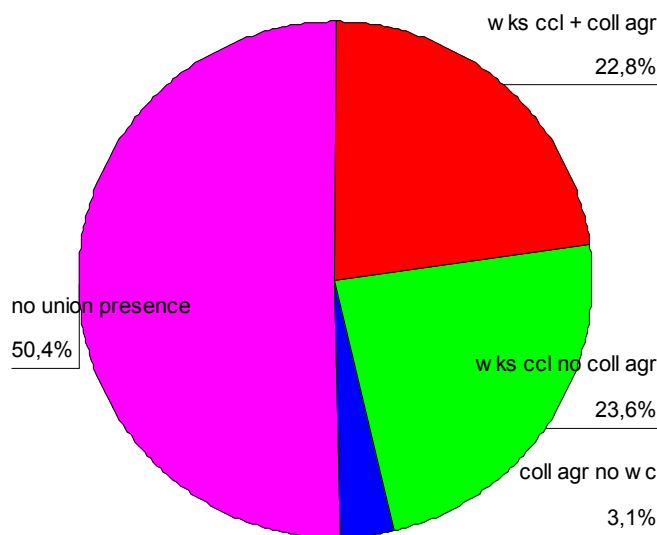
Collective bargaining patterns also differ across call centres serving specific industries. Financial services centres alone have half (50%) the industry-specific agreements. Company-specific agreements are more distributed, but 28.6% are in call centres serving the public sector.

Conversely, the industries with the highest proportion of centres without any agreements are

manufacturing (93.3%), telecommunications (86.7%), and media/publishing call centres (85.7%). In telecommunications, the lack of collective bargaining agreements in this sample is representative of the new telecommunications and mobile providers (the traditionally unionised former monopolist Deutsche Telekom is not present in the sample).

An analogous pattern holds for works councils, although their presence in call centres is higher than the presence of collective agreements. Taking both levels of interest representation together, except for four cases,<sup>6</sup> call centres with collective agreements also have a works council. Thus, of the call centres with five or more employees, 50.4% have no union presence and 23.6% have a works council only. In 22.8% of call centres, workers' interest is represented on both levels (Figure 2.3).

*Figure 2.3: Interest representation: works councils and collective agreements*

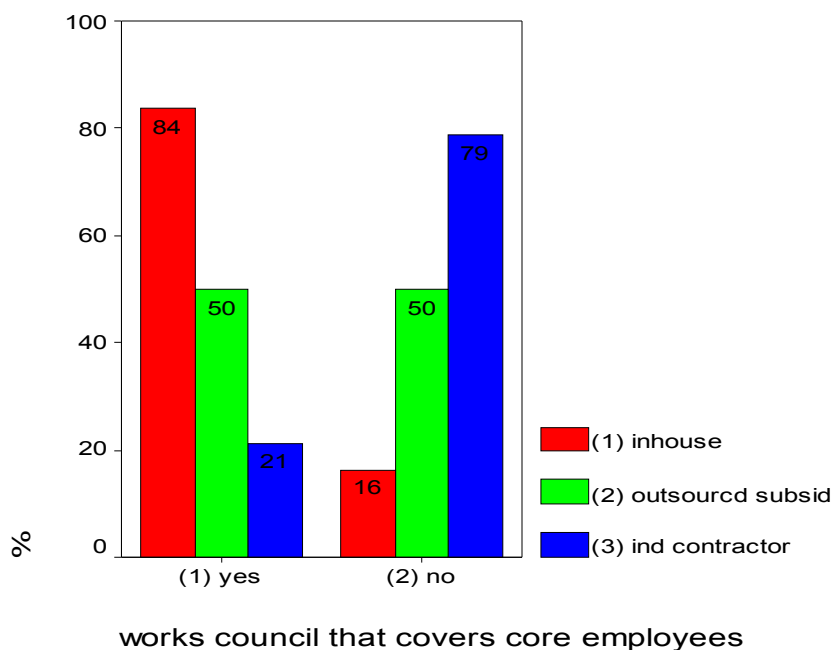


Forty-seven percent of call centres with five or more employees ( $n = 129$ ) have a works council, the majority of which are established at the company level. Call centres with works councils are, on average, nearly three times as large (186.8 employees) as those without them (69.8 employees).

<sup>6</sup> Two of these are outsourced subsidiaries which may have legacies of collective agreements; and for the other two there is no ready explanation.

In in-house call centres, works councils are well established: 83.7% have them. Only 21.2% of independent contractors, however, are covered by interest representation – strong evidence of the “representation gap” between in-house and outsourced call centres, also documented by Doellgast (2004). Of the outsourced subsidiaries, precisely half have works councils, the other half does not (Figure 2.4).

*Figure 2.4: Works councils that cover core employees*



The proportion of works councils is highest in call centres working for financial services. In telecommunications, where collective agreements were rarer than expected, still 57.1% of call centres have works councils. Again, it is worth noting that in call centres serving industries such as media/publishing and manufacturing, in which trade unions have traditionally been strong in Germany, this tradition has not been continued in the call centres; and works councils are underrepresented here, with 33.3% and 27.3% coverage respectively. As we noted in the first section of this report these traditionally unionised industries are using a high proportion of outsourced subsidiaries (especially in media/publishing) and independent subcontractors (public sector, manufacturing).

All of this evidence indicates that, indeed, outsourcing and subcontracting strategies “work” for German companies – in the sense that they provide escape routes from collective agreements and

co-determination in the core industries. It also suggests that works councils in 'mother' companies are only moderately successful in transferring their interest representation structure to outsourced call centre subsidiaries. Again, the fact that call centre workers' interest is represented through works councils rather than collective agreements suggests that call centres are at the forefront of "Verbetrieblischung", i. e. the shift of the German industrial relations system to the level of companies rather than industries.

Another interesting finding points to a different instance of flexibilisation of industrial relations. Sixteen percent of call centres report having some kind of participatory body representing workers, but lacking the formal rights of a works council. This pattern points to a non-negligible proportion of call centres (also noticeable in case studies) in which management is "re-inventing" interest representation on a lower level of institutionalisation. Such bodies may range from an employee-administered 'complaints box' to informally elected speaker groups of employees. Managers frequently argue that the reason for these practices is that the institutionalised German system does not fit the flexibility demands of the service sector.

On the employer side, collective actors are even less present in the field. Eleven percent of call centres participate in employer or trade associations, and again, the in-house call centres take the lead with 13.1%, followed by 9.9% of subcontractors. There are no subsidiaries represented in employer associations. The survey did not distinguish between employer associations that conclude collective agreements and those that do not.

### 3. Employment practices

Call centres in Germany do not use the entire range of flexible and contingent working arrangements. There are several institutional reasons for this, and the general picture of German labour market regulation is somewhat contradictory. First, self-employed work is limited in Germany because in 1999, social security law introduced a category of pseudo-self-employed workers, who are formally self-employed but have only one client and are tied into that client's work organisation like an employee. These workers and their employers are obliged to pay contributions to social security in spite of their formal status. Indeed, the law was introduced to counter companies' attempts at outsourcing work and avoiding social security payments. Unions used that law for a successful campaign to sue especially independent call centres using freelancers for payment of social security and conclusion of employment contracts.

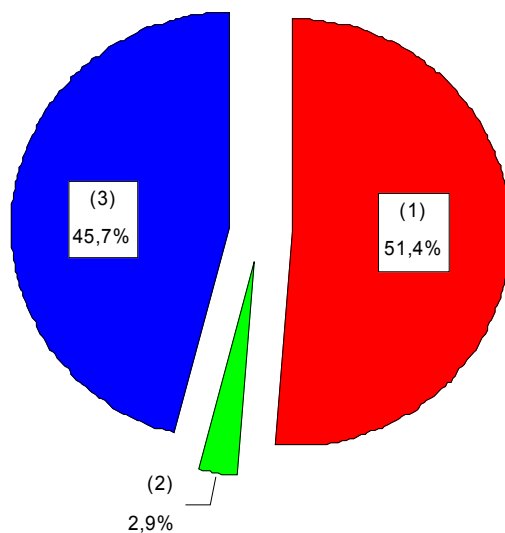
Second, agency work in Germany was tightly regulated until 2004, and the law made sure that temporary agencies, rather than workers, bore the major risks of flexible contracts. The deregulation of temporary agency work was part of the legislative package designed to make the the German labour market more flexible (*Hartz-Gesetze*). Only since then, have temp agencies been allowed to conclude fixed-term contracts and to tie fixed-term contracts with their employees to the duration of a particular job. There is an equal treatment rule: Temp agencies are obliged to pay temp workers the same amounts as a regular employee of the firm unless a collective agreement covers the temp agency. This regulation has encouraged temp agencies to enter into collective agreements and may offer some inroads for unions into formerly non-union sectors.

Third, for short-hours part-time work in Germany, there is the category of “mini-jobs”: arrangements which are exempt from social security payments and limit income to € 400 currently. Fourth, regular part-time work is regulated in line with European Union legislation: there is an equal pay rule, and employees may demand a reduction in working hours from their employer, unless the employer has a reason to keep the job full-time.

In 85.7% of call centres, no freelancers are employed, and the average percentage of freelancers in call centres is only 12.5%. Eighty-five percent of managers surveyed said they make no use of temporary agency workers (the average usage rate is 4.8%). Three call centres only (one of which is a temp agency) employ the same number or more of agency workers as their own

employees. Five call centres hire mostly freelancers. In three-quarters of the call centres, there are no mini-job part-timers, but this group still represents an average of 10.4% of customer service representatives. Yet 51.4% of call centres use permanent contracts only. Non-permanent contracts are used by 48.6% of call centres, but only 2.9% rely on them exclusively (Figure 3.1). The use of both minijobbers (17.6%) and freelancers (20.0%) is higher in those call centres without a works council. Agency workers (13.0 %) are used disproportionately more in call centres with industry-specific collective agreements.

*Figure 3 1: Working arrangements: Permanent and non-permanent contracts*



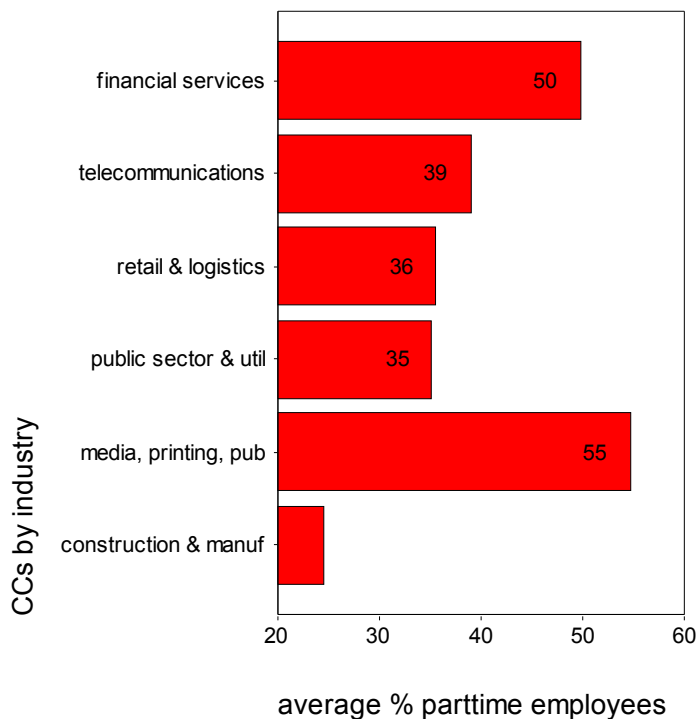
- (1) Permanent
- (2) Non-permanent
- (3) Both

Thus, the dominant strategy for creating more flexible work arrangements in German call centres is through part-time work. On average, 42.8% of CSRs in the call centres work part-time. They work an average of 22.1 hours per week – a little more than half the hours of full-time workers in the sector. In 36.1% of call centres, part-timers represent more than half of the agent workforce. Only 17.3% of call centres hire full-time workers exclusively.

Looking at industries served by call centres, manufacturing (24.5%) has a comparatively low share of part-timers. The public sector (35.2%), retail (35.6%) and telecommunications (39.0%)

hover around the average, while the part-time shares in financial services (49.8%) and media/publishing (54.6%) call centres are considerably higher (Figure 3.2).

*Figure 3.2: The proportion of part-time workers by industry*



By customer segment served, part-time shares are considerably higher in call centres addressing the mass market only (54.0%).

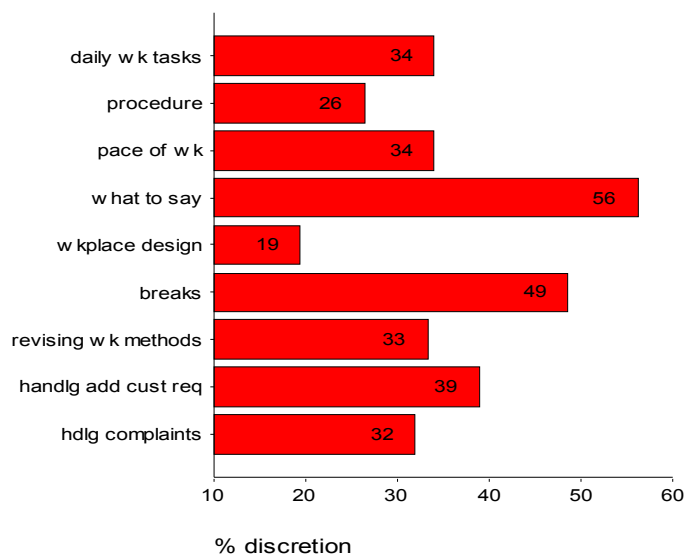
## 4. Call centre jobs

Call centre work is operative work – but since it is interactive service work, it cannot be completely prescribed or routinized. Managers' responses to our questions about the extent of job discretion in these centres lend support to the view of call centre work is Taylorised, but only to a limited extent (cf. Holtgrewe/Kerst 2002). Taylorist standardisation is mediated by the specific demands of interactive service work.

### 4.1 Discretion at work

In about half of the call centres, managers report that employees have discretion over their interactions with customers (56.5% have much or very much discretion) and – interestingly – over their breaks (48.4%). Between 30 and 40% of call centres let their employees decide how to handle unexpected customer requests (39.2%), daily work tasks (35.3%), and the pace of work (34.2%). Workplace design (18.5%) is predictably prescribed (See Figure 4.1). Methods of working and the handling of complaints are polarised: While 33.1% and 32.5% of call centres report high employees' discretion over methods and complaint handling respectively, 46.1% and 43% allow little or no discretion in these areas.

*Figure 4.1: Percentage of employees with high and very high discretion at work*



Employees in consumer-only call centres enjoy the highest discretion in terms of daily work tasks, procedures, and customer interaction. Discretion with regard to additional customer requests is highest in business-only call centres.

## 4.2 Scripts and call handling times

The use of scripts can be treated as an indicator of standardised work, although case study research has shown that call centre agents often use scripts in a flexible way (Holtgrewe/Kerst 2002). The use of target times suggests some time pressure, and a short call handling time also is a measure of standardisation and a fast pace of work.

Forty-one percent of call centres report little or no use of scripts, while 36.2% use them a great deal. In business-only call centres, intensive script use is less frequent (28.6%) than average, while in consumer-only call centres it is more frequent (42.1 %). Banking, public sector and media/publishing call centres rely on scripts less than the average centre. In telecommunications, half of the call centres use scripts.

Target times for answering incoming calls are used in 64.9% of call centres. Where target times are in use, managers report an average target of 83.3 calls to be answered within 23.4 seconds. They report an actual rate of 86.6% of calls answered within their target time, while 6.6% of calls are abandoned. There is little variation in these service standards across different centres. It appears that if target times are used at all, they are close to the conventional rule of thumb of “80/20”, i. e. answering 80% of incoming calls in under 20 seconds. However, there is some variation in the use versus non-use of target times. Eighty percent outsourced subsidiaries use target times, while only 57.7 % of independent contractors use them, and in-house call centres are close to the average. Only 40% of business-only call centres use target times.

Telecommunications (81.3%) and financial services (73.3%) have the highest use of target times, while media/publishing (57.1%) and manufacturing (33.3%) are below average (Figure 4.2.1). Actual call handling times average at 3.9 minutes, and core employees handle an average of 14.5 calls per hour. Multiplying these figures suggests that managers are likely to overrate the intensity of work. Business-only call centres take 5.0 minutes per call while business-and-consumer and consumer-only call centres take 3.5 and 3.2 minutes respectively.

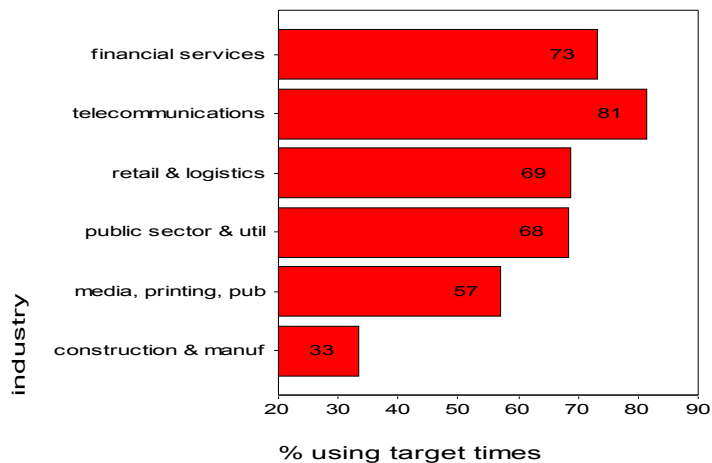
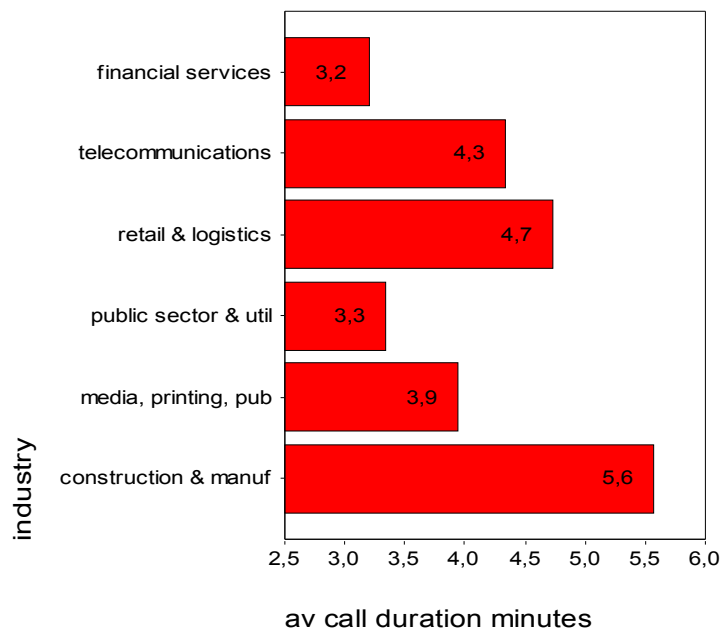


Figure 4.2.1: Percent use of target times for incoming calls

Figure 4.2.2: Call handling time by industry



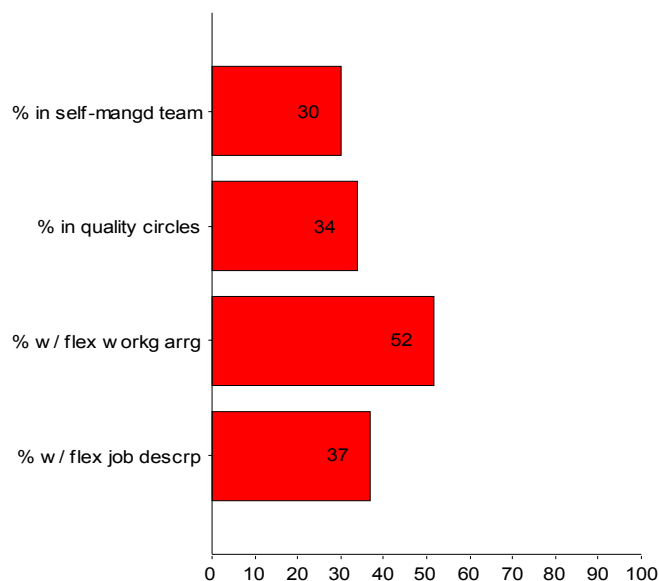
From the larger industries in the sample, manufacturing (5.6 minutes), retail (4.7) and telecommunications (4.3) have call durations above the average, while public sector call centres

(3.3 minutes) and financial services (3.2) handle shorter calls (Figure 4.2.2).

### 4.3 Flexible HRM practices

The use of human resource practices such as self-managed teams, quality circles, and flexible working arrangements or job descriptions is moderately extensive in German call centres. In the survey, we defined “flexible working practices” to include jobsharing, telework, or flexible working time arrangements. On average, 29.8% of core employees work in self-managed teams, 35.2% are involved in quality circles, 36.4% have flexible job descriptions, and 53.8 % work in flexible work arrangements. The distribution of these variables is polarised: call centres tend to use self managed teams, flexible job descriptions and working arrangements for all or none of their core employees. With quality circles, percentages are slightly more evenly distributed (Figure 4.3.1).

*Figure 4.3.1: Average percentage of core employees in teams or flexible work arrangements*



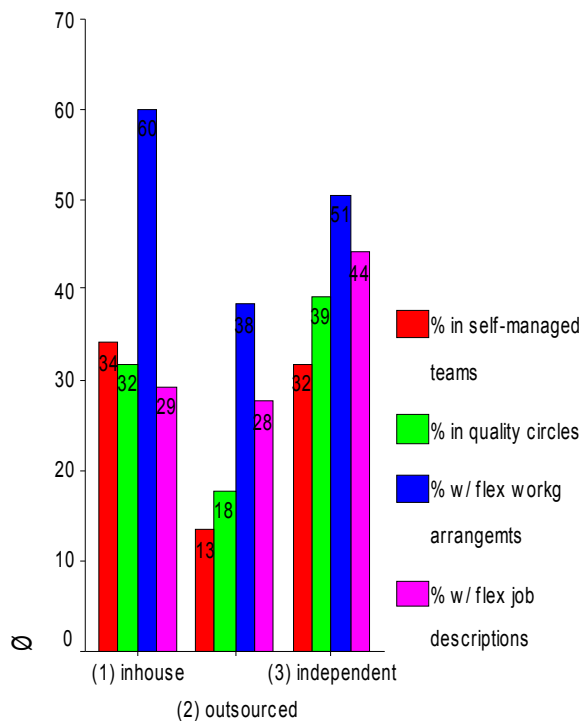
Thirty-one percent of call centres do not use quality circles at all; 40.1% make no use of flexible working arrangements; 56.8% have no flexible job descriptions; and 58.7 % do without self-managed teams.

Divergent patterns across different types of call centres are notable: Outsourced subsidiaries use these flexible work practices least of all. Independent contractors, and especially the business-only call centres among them, make more use of quality circles and flexible job descriptions than

both subsidiaries and in-house call centres, while in-house call centres take the lead in flexible working practices (Figure 4.3.2).

In terms of self-managed group work, consumer-only call centres come close to business-only ones, but they use quality circles least. The use of flexible working practices is highest with business-and-consumer call centres.

*Figure 4.3.2: HRM by in-house, outsourced, and independent status*



#### 4.4 Customer interaction and satisfaction

Although call centres specialise in customer contact, only 54.3% of them have a formal mechanism for gathering customer feedback. The presence of such mechanisms is above average in independent contracting call centres (60.0%), but in the business-only centres it is considerably lower. It is also below average in in-house call centres (41.7%). German call centre managers in general report high customer satisfaction rates: 96.5% say their customers are either satisfied (53.1%) or very satisfied (43.4%).

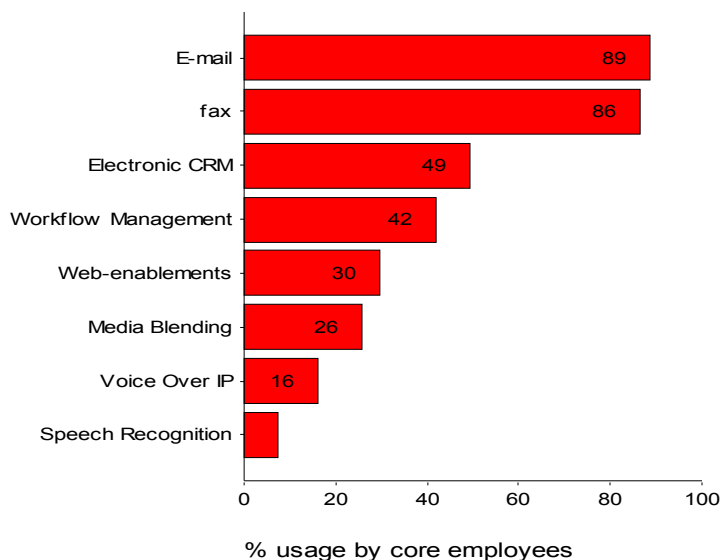
Regardless of customer feedback gathered formally or informally, agents are kept well-informed of customer satisfaction levels. Agents receive daily reports of customer satisfaction in 22.8% of call centres, weekly reports in 13.1% of centres, and monthly reports in another 20%. Only 4.8% of call centres never feed this information back to their employees.

As might be expected, opportunity for agents to interact with customers repeatedly is limited. Still, 26.5% of call centres report that their core employees interact often or very often with the same customers. In 44.4% of call centres, agents do so rarely or never, and in 29.1% occasionally. Repeat interactions happen often in 35.7% of business-only call centres and in 5.3% of consumer-only call centres.

## 4.5 Technology use

Call centres use a variety of information and communication technologies. E-mail and fax are used in 89% and 86.4% of call centres respectively. They are followed by management technologies such as electronic customer relationship management in 51% and workflow management in 43% of call centres. Web technologies are less common. Still, 30.3% of call centres use web-enablement, 26.5% use media blending technologies, and 16.3% use Voice over Internet Protocol. By contrast, speech recognition is only used in 8.4% of call centres (Figure 4.5.1).

*Figure 4.5.1: Percentage of call centres using information and communication technologies*



## 4.6 Wages in call centres

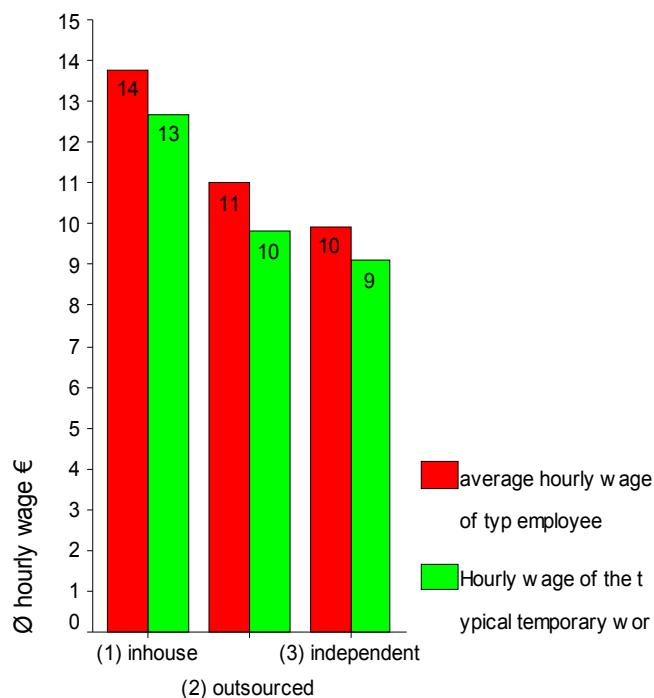
Mean hourly wages for “typical” permanent workers<sup>7</sup> in call centres are € 11.30, while wages for temporary workers are € 10.30. Wages vary between € 6 and an exceptional € 40.00. The percentages of performance-based pay are limited, but not negligible, with a mean of 14.5% of

<sup>7</sup> A typical worker was defined as a worker serving the customer segment with the largest volume of calls in the respective call centre.

pay based on individual commissions and a mere 3.4% based on group performance. The low share of group-based incentives is remarkable as trade union manuals and human resource consultants occasionally recommend group based systems as a socially desirable alternative to individual assessments. Call centre managers and possibly employees do not appear to share that preference.

As we might expect, average hourly wages for both permanent and temporary employees are highest in in-house call centres, with € 13.19 and € 12.63 respectively. Here, the gap between both groups is the lowest as well. The lowest wages are paid by the independent contractors, with permanent workers earning € 10.47 per hour and temporary workers earning € 9.13.

Figure 4.6.1: Average hourly wage by in-house, outsourced, and independent call centre



Outsourced subsidiaries take an intermediate position. Remarkably, they have the lowest percentages of performance-related pay, with 7.71 % of pay based on individual commissions and a negligible .71% based on group-based incentives. The implementation of performance-related pay structures thus does not appear to be a key reason for outsourcing call centres. With independent subcontractors, 19.5% of pay is commission based and 4.7% is based on group performance. In-house call centres pay 7.2% of wages based on individual commission and 1.4% based on group performance (Figure 4.6.1).

Figure 4.6.2: Average hourly wages of core employees by industry



Looking at the industries served by call centres, findings are less predictable. Call centres in manufacturing industries pay their core agents a striking € 15.22 per hour. Financial services and the public sector are slightly above the average with hourly wages of € 12.11 and € 11.69 respectively. Media and publishing call centres pay € 10.68 per hour. Call centres in retail, paying € 10.20 an hour, are below average but not dramatically so considering that retail in general pays low wages. Telecommunications call centres pay a meager € 9.01 an hour. Thus, the pay levels in call centres are only partly associated with traditional low-wage industries (see Figure 4.6.2).

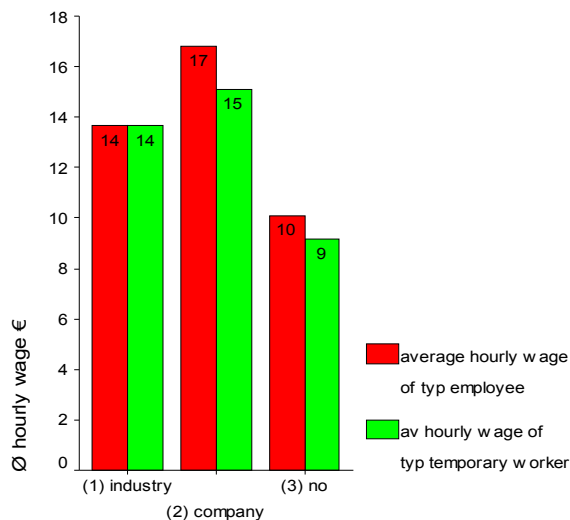
High percentages (above 20%) of commission-based pay are found in call centres serving retail (24.5%). Temporary workers are best off in call centres serving the public sector, with hourly pay rates of € 13.44. Here, they earn more than their permanent colleagues. In retail (€ 10.20) and poorly-paying telecommunications (€ 8.76), temporary workers earn nearly the same as permanent workers, while in financial services (€ 10.23), media/publishing (9.68) and manufacturing (€ 11.00), the gap is higher than a Euro. Differences between customer segments are not marked, although business-only call centres, and to a lesser extent business-and-consumer call centres, have higher percentages of pay based on individual commissions.

Considering wages, the presence of unions makes a difference. The mean hourly wage for permanent employees in companies with an industry-specific collective agreement is € 13.72, compared to companies without a collective agreement, where it is €10.55. Notably, compared to centres with an industry-specific agreement, those with company-specific agreements pay

considerably higher, at € 14.27 per hour – an indication that in terms of wages (Figure 4.6.3), “Verbetrieblichung” is not necessarily a bad thing. However, it may be that economically more successful companies that are able to pay higher wages are also more amenable to company-specific collective agreements.

Temporary workers profit disproportionately from these collective agreements: With company-specific agreements, their wages are € 15.10 per hour, above the levels of permanent workers – which suggests that call centres paying higher wages have an incentive to use non-permanent contracts. Performance-related pay represents the highest percentage of overall pay in companies without collective agreements (15.84%), but company-specific agreements still allow for an average of 10.29% of pay as individual commissions.

*Figure 4.6.3: Wages by collective agreement*



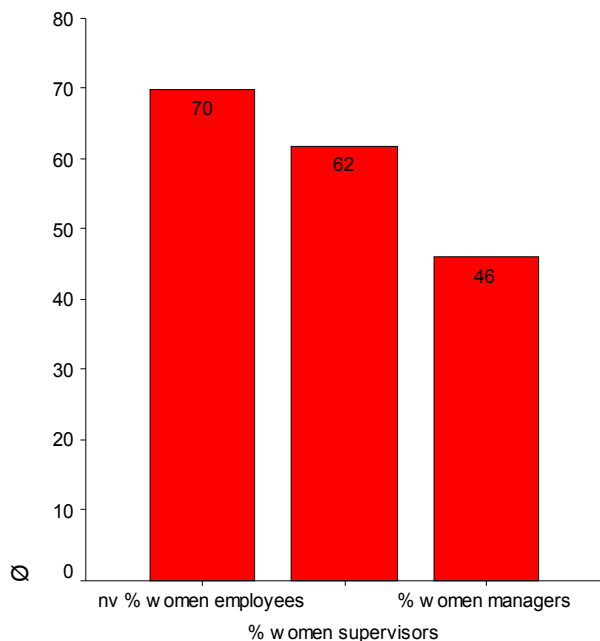
## 5. The workers

### 5.1 Gender composition of the workforce

Consistent with other findings (Bittner et al. 2002; Kutzner/Kock 2003; Holtgrewe 2005), call centres in Germany are a women's industry, with an average 71.7% of agents who are women. Not surprisingly, their share of part-time workers is even higher, with 84.0% in general and 85.4% in minijobs. There is hardly any difference in the proportion of women in permanent versus temporary positions. In other insecure employment forms, women's proportion notably is below average. They represent 66.8% of freelancers and 59.0 % of temporary agency workers. Women in call centres are also present in higher positions in a degree which is remarkable for Germany: 63.5% of team leaders and 44.9% of call centre managers are women – evidence that even with the flat hierarchies typical of call centres, glass ceilings have been somewhat permeable in this young industry. The proportion of women as managers is higher in independent contracting call centres than in other types of centres.

Otherwise, the presence of unions in call centres does not affect the presence of women nor vice versa. In outsourced subsidiaries their proportion is somewhat lower than in both in-house and

*Figure 5.1.1: Average percentage of women employees, supervisors, and managers*

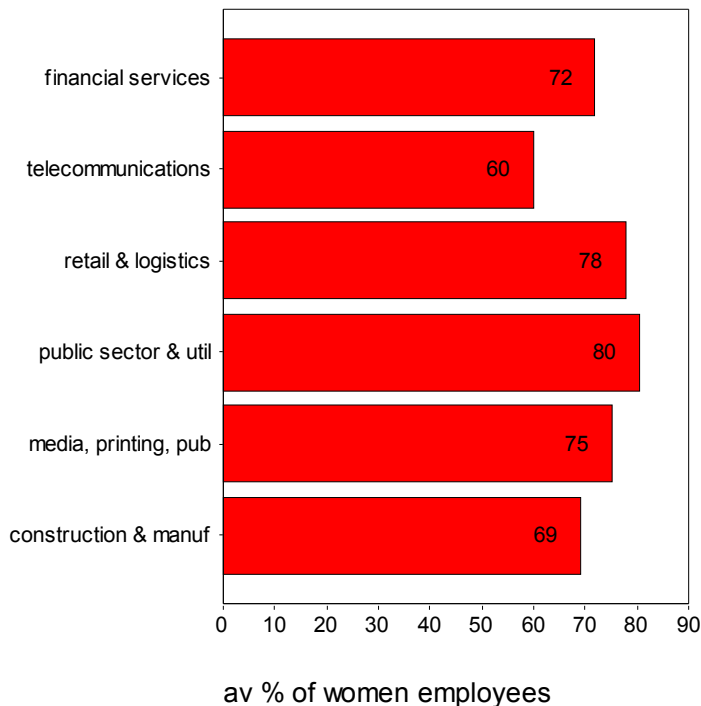


independent call centres – thus we see no evidence that outsourcing implies a feminisation of work. Market specialisation influences the gender composition of the workforce to a limited extent. Call centres specialising in business have a lower proportion of women; in those call centres oriented towards the consumer market only their representation is higher.

An analysis of women’s participation by industry shows that the highest proportion of women is found in public sector (80.5%), retail (77.7%) and media/publishing call centres (75.1%).

Women are represented below average in call centres serving telecommunications (59.9%), while financial services (71.9%) and manufacturing (69.1%) are close to average. Notably, there are no particular industries (and only 11.5% of call centres) where women are a minority (Figure 5.1.2).

Figure 5.1.2: Percentage of women employees by industry

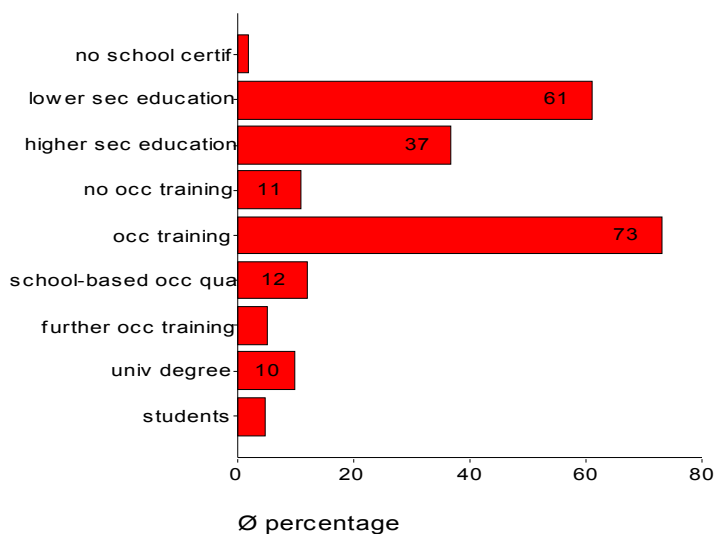


## 5.2 Education and skill

The educational level of customer service representatives supports the view that the call centre labour force in Germany is “not-unskilled” (Gundtoft/Holtgrewe 2000; Bittner et al. 2002; Kerst/Holtgrewe 2003). On average in the surveyed call centres, managers reported that 62.4 % of their “typical” CSRs have a lower secondary education certificate (*Haupt- or*

*Realschulabschluss*), 39.6 % have a higher secondary education certificate (*Abitur*). The majority, an average 75.3% of “typical agents” have completed occupational training in the German dual system. 12.6% are reported to have a *Fachschulabschluss*, i. e. a school-based occupational certificate.<sup>8</sup> 10.4% of CSRs on average have college degrees and another 9.5% are students – which confirms that the German call centre industry provides some entry positions for recent graduates of which we do not know if they are going to be transitory (cf. Kerst/Holtgrewe 2003).<sup>9</sup> (Figure 5.2.1) Students are hired well above average in call centres serving retail, and the media. The latter of course is one of the industries where student jobs traditionally are expected to lead to entry positions into the respective professions.

Figure 5.2.1: Percentage of core employees with different levels of formal education

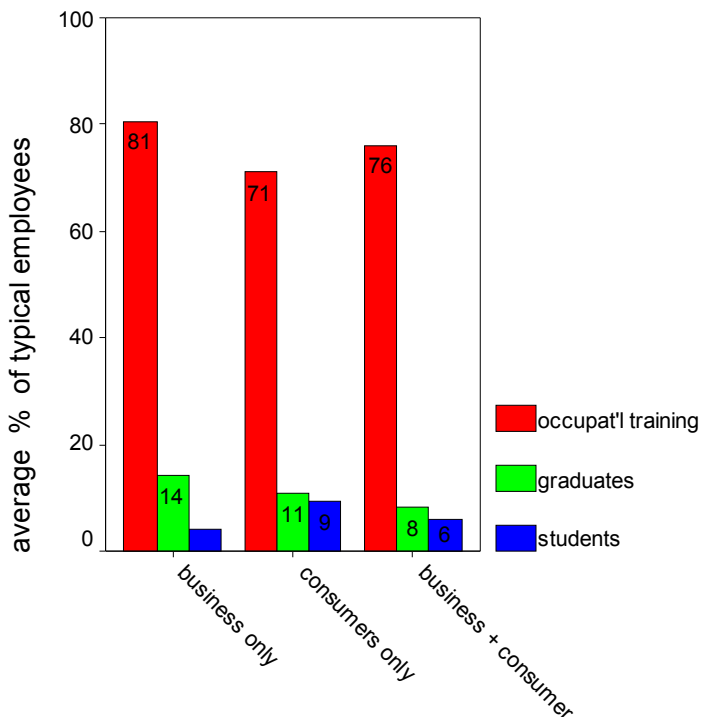


While outsourcing does not influence qualifications directly, managers report a lower proportion of CSRs with higher secondary education (31.3%) in call centres serving consumers only. However, in these call centres, CSRs with school-based occupational qualifications are represented above the average (21.4%). The proportion of CSRs with college degrees is reported to be highest in business-only call centres (16.6%) and lowest in call centres serving all markets (7.3%).

<sup>8</sup> This in Germany is common especially in the sectors of health and social services and with some clerical occupations.

<sup>9</sup> 5 call centres reported that more than 50% of agents had degrees. These are found in marketing, technical sales, a consultancy and two media call centres. Professional services thus are not strongly represented in the sample.

Figure 5.2.2: Average percentage of education levels by customer segment

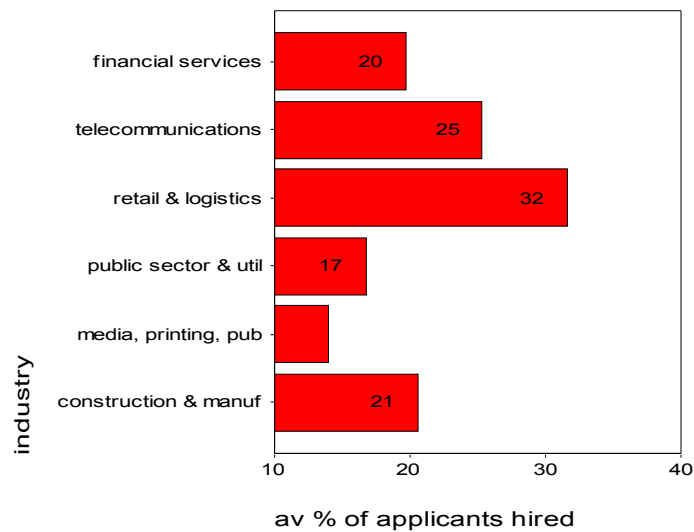


### 5.3 Recruitment, Training, and Turnover

While call centres obviously rely on individuals who have formal educational and occupational qualifications, recruitment is only formalised to a limited extent: 53.9% of call centres do not use any systematic selection tests while 34.2 % hire all their core employees in a systematic way. The percentage of applicants who are actually hired averages 22.3%<sup>10</sup>, although half the call centres hire less than 10% of applicants. The majority of call centres working for financial services and media/publishing use systematic tests for selection, while 61.9% of business-only call centres do not. In terms of the percentage of applicants hired, media/publishing and public sector call centres are the most selective, while retail call centres hire 31.6% of applicants, or about one in three.

<sup>10</sup> Incidentally, the use of selection tests correlates significantly and positively with the percentage of applicants hired.

Figure 5.3.1: Average percentage of applicants hired by industry

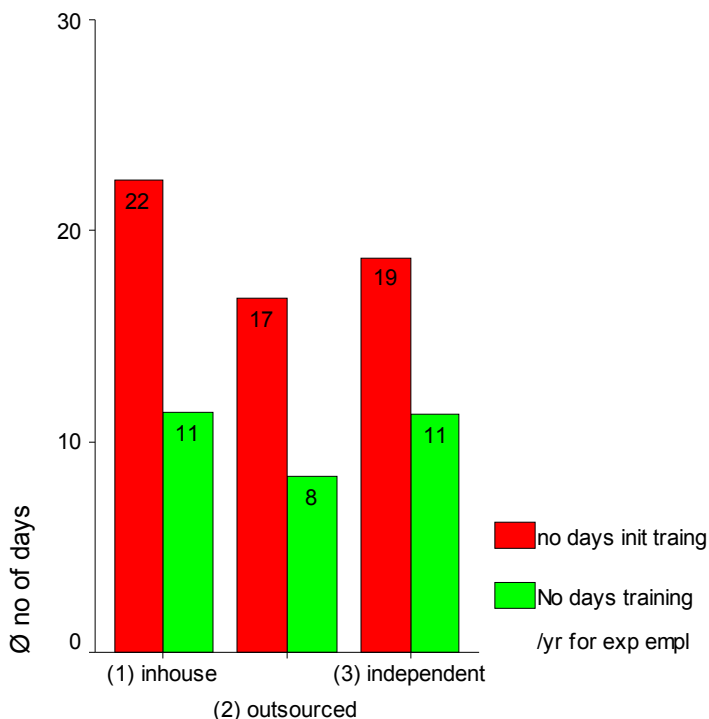


The degree of company-specific training in call centres does not really support the view of a general high-road profile of call centres in Germany. The average initial training period is 19.6 days, with a median of 12 days, and it takes employees an average 11.1 weeks to become fully competent in their jobs. Experienced core employees receive another 10.9 days of formal training per year. The focus is chiefly on new product and service information, where 77.3% of call centres have “a lot” or “a great deal” of training. Team building skills are emphasised in this way in 22.9% of call centres, and stress management is trained to a larger extent in only 15.6% of call centres. All of this again confirms the familiar finding (Frenkel et al. 1999;

Thompson/Callaghan 2002; Holtgrewe/Kerst 2002; Korczinski 2003) that call centres focus training on product and service information and leave the required interpersonal skills and coping skills mostly to agents' individual resources. All in all, call centres spend an average € 4,505.62 on the screening, recruiting and training of new employees.

Outsourced subsidiary call centres report the lowest number of training days for both beginners (16.8) and experienced agents (7.9) (Figure 5.3.3). Yet, surprisingly, it is independent contractors which spend least on recruitment and training (€ 3,138), while in-house call centres spend more than twice as much (€ 6,860.42).

Figure 5.3.3: Average number of days training



The amount of training for call centre workers also varies by industry segment served. Call centres serving the public sector have the longest initial training periods (27.5 days), followed by financial services (24.4 days), and retail call centres (23.4 days). Telecommunications centres are close to the average, with 18.9 days, while manufacturing (16.3) and publishing/media call centres spend the least time (12.1 days) and money on initial training. With respect to further training, retail agents receive 13.3 days of on-going training per year, followed by telecommunications and media/publishing with 12.7 days. Public sector and financial services call centres provide on-going training at the average rate of all centres, while manufacturing call centre agents receive only 5.8 days each year. Thus, financial services call centres apparently put most of their training effort into initial training in terms of time and money and then slow down their training efforts, while media/publishing and telecommunications call centres put disproportionately more effort into continuing training.

The total turnover of core employees in the previous year, involving employees that quit, were promoted, dismissed or retired averaged 26.3% with 5.1 % of employee quits and 11.4%

dismissals. An average 4.7% of core employees had been promoted within the call centre, 3.2% had been promoted outside the call centre.

In this study, we defined employee turnover as consisting of a number of ways that employees leave their job: through voluntary quits or retirements, employer dismissals or layoffs, and employee promotions to other jobs within the centre or to jobs outside of the centre but in the same company. Taken together, these different components of turnover provide a measure of the extent of employment stability in workplaces – or of the extent of ‘churn’. No matter what the source of the turnover, the total level of turnover is important because managers must fill the vacancies that emerge each year. The costs of recruitment, hiring, and training of new workers can be a substantial cost of doing business.

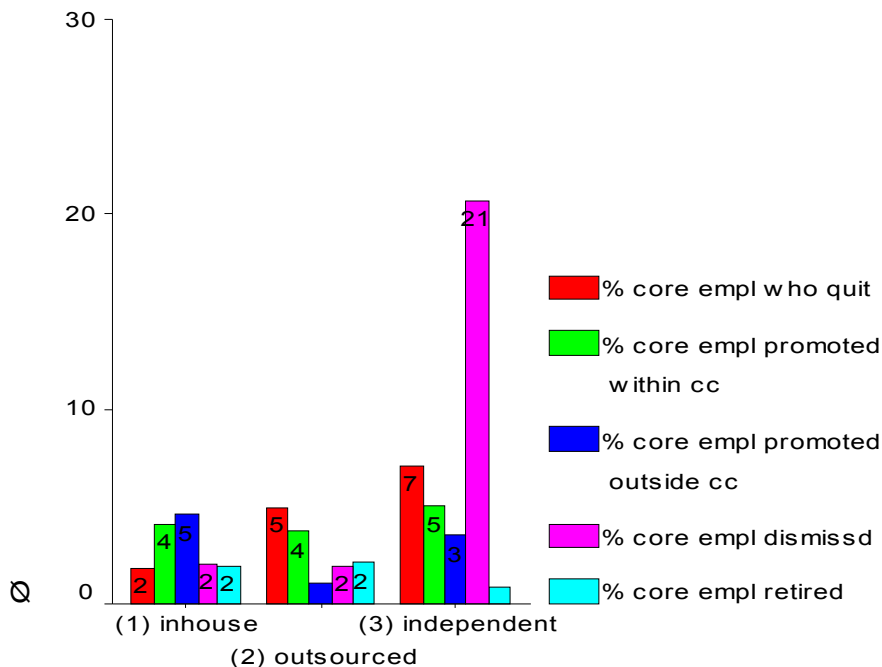
In many countries, turnover is a substantial problem for the call centre industry. In the U.S., for example, annual turnover averages 31 percent, but is over 50 percent in independent subcontractor centres (Batt et al. 2004). In Germany, by contrast, overall turnover rates are relatively low, averaging 26.3%. Nonetheless, there is some variation by type of centre (Figure 5.3.4). In-house call centres reported the lowest employee quit rates in the previous year, at 2.1% of the workforce. By contrast, five percent of employees had quit outsourced subsidiaries, and 7.1% had left independent contractors. Dismissals were highest in independent contractor call centres, at a rate of 19.5% annually.<sup>11</sup> It is mostly these dismissals which bring the independent contractors to the lead in terms of overall turnover rates of 37.1%.

When analysed by customer segment, consumer-only call centres have the lowest total turnover rates (14.0%) and also the lowest rates of dismissals (2.0%) and employees leaving (1.8%). In both business-only centres and especially in business-and-consumer call centres, all these rates are considerably higher.

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<sup>11</sup> Rates were computed as percentages of the current number of core employees. Two call centres had extreme rates of dismissal with 433% and 312%. Indeed, these were apparently surveyed after considerable layoffs. One had shrunk from 75 permanent employees in 2002 to currently six, the other had had 280 employees in 2002 and 35 at the time of the survey.

Figure 5.3.4: Turnover rates by in-house, outsourced, and subcontractor status



Another measure of workforce stability is organizational tenure, and the German call centres have relatively long tenured employees for such a young industry. Despite the fact that the average age of call centres in this study is 6.9 years and the median is five years, the average tenure of core employees is 4 years. The call centre workforce is roughly evenly divided into three parts, according to our survey: Managers report that an average 28 percent of the “typical” agents have one year of tenure or less; 38 percent have between 1 and 5 years of tenure, and 34 percent have more than 5 years of tenure. In-house call centres (5.2 years) and especially the consumer-only call centres (6.9 years) retain their agents the longest time, while independent contractors have the lowest tenure (3.4 years) and the largest share of recent recruits (36.2%).

#### 5.4 Call centre managers

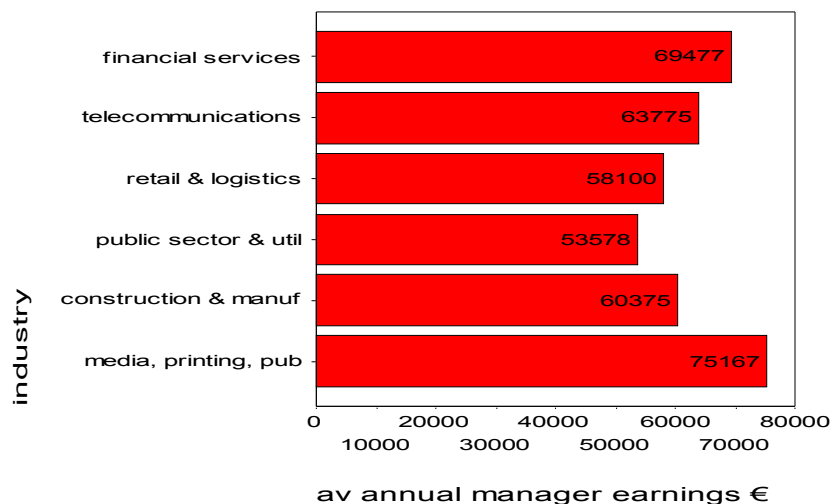
Call centres have flat hierarchies. In this sample of German centres, managers direct an average 42.1 employees, and team leaders oversee groups of 15.5 agents. Most managers have higher secondary education (95.6%). Their typical tenure is 6.3 years, and an average 57.8% of managers have been with the call centre for more than five years.

Call centre managers earn between € 22,000 and € 200,000 per year, with an average of € 62,580.<sup>12</sup> Managers' percentage of performance-based pay is slightly lower than agents': 11.6% of their wages is based on individual performance, with an additional 2.9% based on group performance. Overtime pay is negligible since managers in Germany are generally not paid for overtime.

Managers are earning most in outsourced subsidiaries (69,545.45 €). In in-house call centres, they earn close to the average (62,038.26 €) while independent contractors pay € 59,480.

Consumer-only call centres also pay higher wages (€ 66,100) and are close to business-and-consumer ones, while business-only call centres pay 54,000 €.

*Figure 5.4.2: Typical annual earnings of managers by industry*



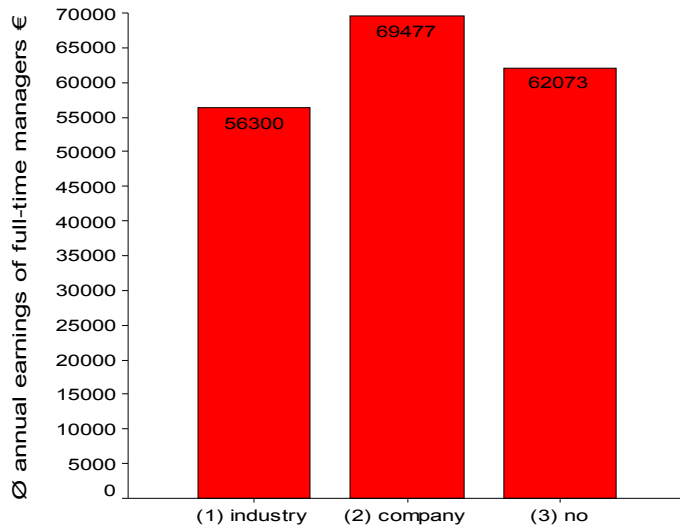
Managerial pay also varies according to the industry sector the call centre serves. Managers make the most money in call centres serving media/publishing (€ 75,167) followed by financial services centres (€ 69,477). Telecommunications (€ 63,775) and manufacturing call centres (€ 60,375) are close to the average, while considerably lower management earnings are found in retail (€ 58,100) and public sector call centres (€ 53,578).

The presence of works councils does not affect managerial earnings. However, the presence of collective agreements does: Managers in call centres with company-specific collective agreements earn an average € 69,476.92, while those in call centres covered by industry-specific

<sup>12</sup> In Germany, managers are traditionally reluctant to talk about earnings, and employment contracts often forbid them to do so. Hence for the annual earnings question we had only a 50% response rate among respondents.

agreements earn € 56,300 and do worse than those in call centres without collective agreements (€ 62,073.21).

*Figure 5.4.1: Average annual earnings of managers by collective agreement*



## 6. Where unions matter

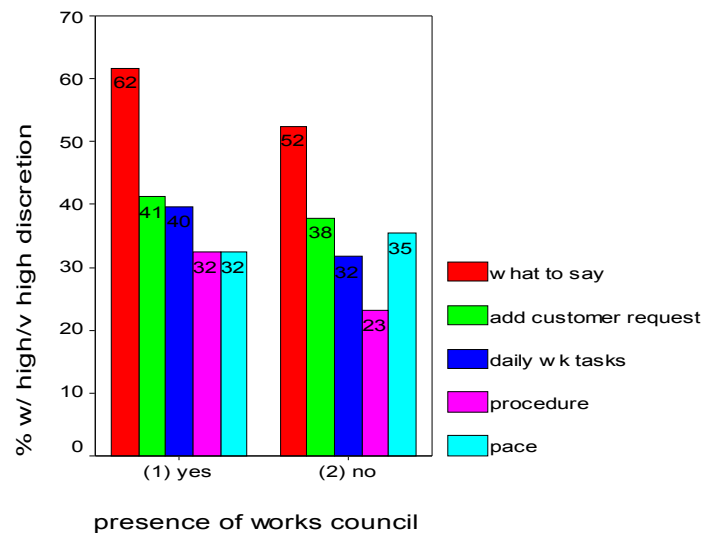
In this report, we have identified a number of ways in which centres covered by collective bargaining or works councils are different from those without worker representation. While these patterns need to be examined more systematically in analyses that control for company size, age, and other effects, there are some clear-cut findings that are worth reporting. First, neither the proportion of part-time work nor the proportion of women workers appears to affect interest representation in terms of works council presence or collective bargaining. This is notable since the presence of part-time workers is frequently perceived as an obstacle to unionisation. Only in call centres covered by industry-specific collective agreements, which are mostly in-house operations, is the share of the part-time workforce low (at 26.3%).

Although works councils and collective agreements generally address separate issues in industrial relations, differences in their influence are not that clear-cut in this study. In particular, call centres with company-specific collective agreements are distinct from the rest along some dimensions of working conditions and human resource practices, although collective agreements themselves are not likely to be the cause of these tendencies which fall into the domain of works councils' co-determination. There are probably two interconnected reasons for these characteristics: Call centres with company-level collective agreements are likely to be large, mass-market or business-and-consumer-oriented independent contractors. From the perspective of core competencies (cf. section 1 of this report) that means that they form the core of the specialised call centre “industry” and are likely to possess a considerable degree of call centre core competencies and managerial professionalism. From an actor-centered perspective, call centres with company-specific collective agreements are likely to have a strong and active works council as well – which they would have needed in order to have reached a collective agreement at all. Both levels of interest representation are thus closely connected in the cases of company-level collective agreements. Besides, both works council and management will have gained considerable negotiating and organising experience in the process – which in turn may enhance their human resource management capabilities. Thus far, these centres appear to represent the vanguard of modern call centre management in our sample: they combine flexible company-level industrial relations with formal instruments and modern HR practices.

Generally, call centres with works councils do not yet have a coherent or well delineated pattern of work practices: While discretion at work is higher in call centres with works councils compared to those without them, work is also more regimented along some dimensions. Discretion is higher in terms of discretion over what to say and over daily work tasks. However, target times and call durations indicate tighter regimentation: 84.1% of call centres with works councils make use of target times, while only 48.1% of call centres without them do. Trade union presence is also connected with shorter calls: In call centres with works councils, calls take 3.2 minutes and agents handle 15.1 calls per hour. In call centres without works councils, calls take 4.5 minutes.<sup>13</sup>

Both findings, taken together, may indicate that works councils are achieving some success in call centres, managing to influence the level of discretion at work in spite of its standardisation (Figure 6.1).

*Figure 6.1: Percentage of call centres with discretion, by presence of a works council*

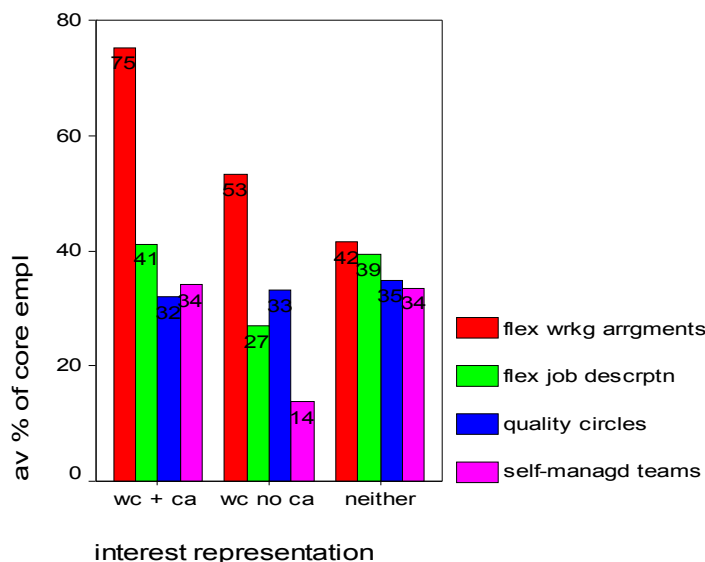


In terms of the use of teams and flexible work practices, trade union presence has a few surprising effects. Both works councils and collective agreements, for example, influence the

<sup>13</sup> In call centres without works councils, managers report that core employees handle 14.0 calls per hour – an obviously overrated figure since multiplied with the average call duration it would give 63 minutes call time per hour. This may indicate a greater awareness of performance measures in call centres with works councils since electronic performance measures come under co-determination. Still, it may also be an indication that in spite of longer call durations work is faster-paced in call centres without a works council.

relative use of flexible working arrangements. The use of flexible job descriptions and self-managed teams is higher in call centres without union presence than in those with just a works council. Except for self-managed teams, call centres with company-specific collective agreements have a higher use of teams and flexible work practices than either call centres with industry-specific or no collective agreements. This is most notable with flexible job descriptions and quality circles.

Figure 6.2: Percentage of core employees with flexible work practices, by interest representation



Other interesting characteristics of call centres with company-level collective agreements include the standardisation of work and the recruitment and retention of personnel. For example, intensive script use in call centres with company-specific collective agreements is well above the average with 61.9%. So is the use of systematic testing of applicants with 47.6%. Nevertheless, call centres with company-specific agreements hire 32.3% of candidates compared to a general average of 22.3% applicants hired.

Figure 6.3: Percentage of employees with flexible work practices, by collective agreements

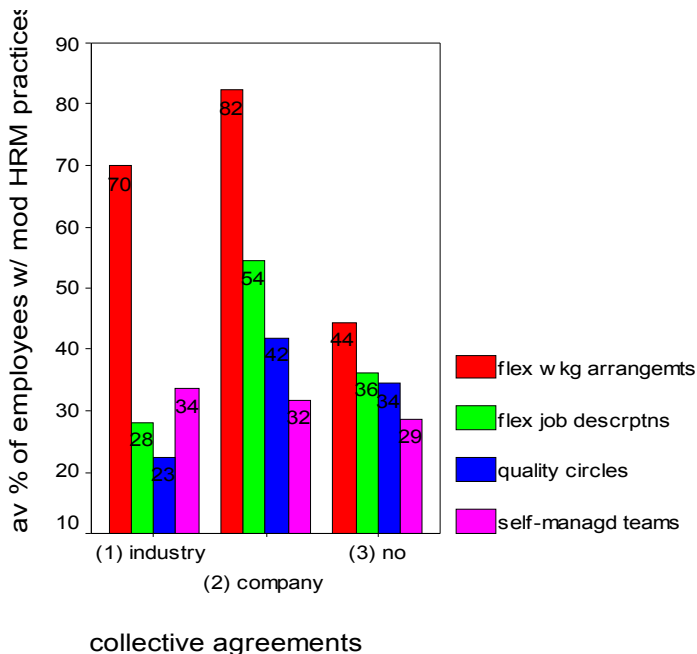
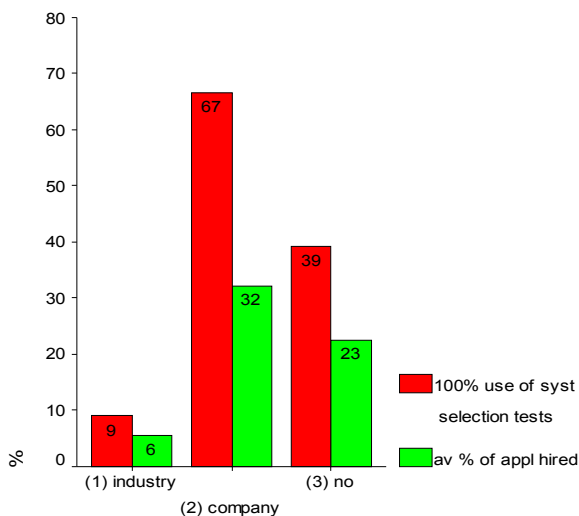


Figure 6.4: Selection tests and applicants hired by presence of collective agreements



This suggests there is a connection between the use of formal instruments for selection and the use of standardised forms of work, although it would be too simple to assume that formal selection instruments replace skill and training in call centres with standardised work. Indeed, the use of formal selection instruments correlates significantly with the time spent on ongoing training. At the same time, in the call centres with company-specific collective agreements, the proportion of workers with simple qualifications is higher than the average. Managers report that

81.1% of workers have lower secondary education while the industry-wide average is 62.3%; and 84.2% of workers have occupational training while the industry average is 75.4%.

After hiring, it is call centres with company-specific agreements that invest the most in their firm-specific human capital: They give their agents 26.3 days of initial and 13.1 days of further training and spend € 7,688.89 on recruitment and training. They also have the highest percentage of call centres that devote considerable time to training to team building and stress management. Trade union presence also affects turnovers: Call centres with both works councils and collective agreements retain their employees for an average of 6.1 years. Where there is only a works council, average tenure is 3.6 years, which is close to the average of 3.3 years found in non-union centres. For quit rates, the effect is even more striking: Call centres with both works councils and collective agreements reported a turnover of 14.8% in the previous year, compared to rates that are twice as high (29.7%) in centres without a union. Call centres with works councils only do even worse, with a 31.1% quit rate.

In sum, while trade unions have made limited inroads into call centres, their presence appears to make an important difference, and not only in terms of wages. Directly or indirectly, they have been able to influence working conditions, human resource practices, and outcomes such as worker training and tenure. The presence of a more skilled and stable workforce may, in turn, improve the conditions for union institutional development and bargaining power.

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