

Under Construction:
The Continuing Evolution of Job Structures in Call Centers

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I. INTRODUCTION

What's happening to internal labor markets?

The brave new world of call centers offers an important testing ground for ideas about the changing structure of jobs in the United States. Core firms in the U.S. economy traditionally had strong *internal labor markets* that provided opportunities for skill development and advancement. These internal labor markets provided long-term employment for most employees, along with job ladders that many were able to scale to varying degrees, and were long seen as an indicator of job quality.

It has been widely suggested that over the past two decades, businesses have weakened their employment relationships with workers to the point of dissolving internal labor markets (ILMs). Many have argued that the deconstruction of ILMs has resulted in a drop in employment security for most workers (International Labour Organization 1997, p. 94). Instead of offering long-term attachment to a single employer, the “new social contract” is said to place responsibility for designing a career in the hands of the worker, with the employer responsible for alerting the worker to new skill needs--a transformation widely noted in the popular business literature (Mandel 1996, Pasternack and Viscio 1998).

Most empirical research on the subject is based on the assumption, explicitly or implicitly, that the decline in the use of long-term employment relations and internal job ladders is a permanent one (Cappelli 2001 provides a recent, comprehensive review; see also Heckscher 2000). But is this depiction of swift, dramatic, and permanent change accurate? There are both theoretical and empirical reasons for doubting this conclusion.

Theoretically, Tilly and Tilly (1997), among others, hold that workers' desire for job security and employers' need for a predictable source of adequately skilled workers create strong, continuing pressures to rebuild something akin to ILMs. Further, restructuring is often a protracted process of experimentation, blundering, and learning for most firms, so that attempts to declare the process complete may be premature (Ortmann and Salzman 1998, Tilly and Tilly 1997). Firms grope among alternative strategies, sometimes imitating leading firms (Scott 1987, DiMaggio and Powell 1991), sometimes adopting consultant-driven fads (Eccles, Nohria, and Berkley 1992), and sometimes shifting objectives.

As for empirical evidence, despite case studies suggesting the devolution of ILMs, some aggregate indicators of the vigor of ILMs have changed relatively little (Bernhardt and Marcotte 2000). The differential in tenure between large and small firms, which one would expect to narrow over time if ILMs have significantly declined, shows no change between the 1980s and 1990s (Allen, Clark, and Schieber 1998). Estimates of the firm-specific components of wages, one way of assessing the extent to which ILMs shelter wages, also show essentially no change over the last couple of decades (Levine *et al.* 2002). One interpretation of this apparent contradiction between case study and aggregate data is

compositional: the case studies represent changes that characterize only a small and perhaps atypical subset of firms. But these disparate findings are also consistent with a world in which firms intermittently tear down and rebuild ILMs, averaging out to little change in the aggregate.

In earlier work, we questioned the commonplace sweeping assertion of the decline of internal labor markets (Moss, Salzman, and Tilly 2000, Lane, Moss, Salzman, and Tilly forthcoming). We conducted case studies that followed corporate restructuring over time, assessing the impacts on low and moderately skilled jobs at electronics manufacturers, insurance companies, and companies along food service supply chains. We discovered that businesses did indeed replace long-standing internal labor markets with more market-mediated relationships, including outsourcing, temporary employment, and the creation of new greenfield facilities cut off from job ladders—a process of de-integration of activities and/or segments of their workforces. But firms either subsequently or simultaneously *rebuilt* internal labor markets in a variety of ways. This ranged from subcontracting to suppliers that are larger and have more elaborate job ladders than the final company itself, to switching to larger suppliers over time, to partially incorporating temporary workers into internal labor markets, to establishing job ladders at greenfield sites where none had existed. Moreover, we found considerable variation in the extent to which corporations in each industry deconstructed internal labor markets in pursuit of competitive advantage.

In this paper, we extend our earlier findings, reporting on new case study research on retail and financial service call centers. We focus on what we call “geographic de-integration,” the creation of remote, functionally homogeneous establishments—specifically, call centers. We compare pre-existing establishments, such as retail stores, with the new, remote call centers. In effect, each comparison poses a counterfactual: *What if* the activities had not been shifted to a distant site?

Call centers as a window onto internal labor market change

Call centers deserve attention because they are a large and growing segment of the U.S. workforce, and a key example of the de-integration of jobs from core business activities. Analysts disagree about exactly *how* large and *how* quickly growing: recent estimates of the size of the U.S. call center workforce range from 2.5 million people (Wirtz 2001, estimating the 1999 workforce) to 6.5 million (Benner 2002, estimating the 2000 workforce). Underlying these wildly varying estimates is the fact that call centers are not well defined in standard industry or occupation data. Occupationally, call center workers cut across a range of occupations. In terms of industry, a Minnesota state report in 2000 “found a total of 37 different broad-based industries likely to have call center operations” (Wirtz 2001).

The literature on call centers has proposed at least three views of the quality of call center jobs. Some researchers have described call centers as a relatively homogeneous set of jobs: critics brand them

as “sweatshops” (Fernie and Metcalf 1998) or “bright satanic offices” (Baldry, Bain, and Taylor 1999), whereas boosters view them as good, information-economy jobs (Bagnera, Donati, and Cesaria 1997, Butera *et al.* 1999 [both cited in Altieri *et al.* 2002], D’Ausilio 1999). Rosemary Batt (2000) offers a more nuanced view, positing that businesses have segmented call center work into better jobs (involving higher compensation, more discretion, and less monitoring) and worse jobs according to customer segment. Similar, Taylor *et al.* (2002) distinguish between volume-driven and quality driven “workflows.”

But a third possibility is that work organization in call centers is evolving. Batt’s own work provides evidence of such evolution, for example the increase in the number of call center job categories over time (Batt and Keefe 1999). On the whole, European analysts have emphasized the changing nature of call center work more than have their U.S. counterparts. Altieri *et al.* (2002, p.21) describe unidirectional evolution: “The first call centres emerged as ‘minute factories’ as the companies only sold minutes of conversation, today they offer services, placing great emphasis on quality.” Ursula Holtgrewe and colleagues (Holtgrewe and Kerst 2002, Shire, Holtgrewe, and Kerst 2002) argue instead that call centers embody a tension between two conflicting logics: standardization/rationalization and customer orientation/flexibilization. They suggest that the result may be a not fully predictable oscillation of work reorganization between one logic and the other. Case studies of call centers in the United States, Japan, and Australia by Marek Koczynski (2002a, 2002b) document this ongoing tension, and German case studies by Sandra Arzbächer and co-authors (2002) demonstrate a shift from de-institutionalization to re-institutionalization.

Our case study research is designed to further investigate the third, evolutionary view of call centers. Our sample excludes outbound telemarketing call centers, instead focusing on primarily inbound functions, in which customers place orders or seek assistance (though many of the call centers studied include outbound functions involving the re-contact of existing customers). We study inbound call centers because we expect that these are where evolutionary processes shaped by concern for level of service are more likely to take root. Through interviews with managers, we gather retrospective and, in some cases, sequential contemporaneous information on how call centers have changed.

Our findings confirm that the tension between standardization and customer orientation is a driving force in call center change within companies. Specifically, we find that:

- 1) Businesses still find it necessary to integrate substantial portions of their inbound call center workforce into the firm via established internal labor markets, and much movement in recent years has been toward reintegration, though often in new forms.
- 2) At the same time, cost-cutting goals have exerted a countervailing pull, limiting and in some cases reversing initiatives to build new promotion pathways in call center settings.

- 3) Businesses' decisions about internal labor markets are importantly shaped by *external labor markets* and *strategy*. The *external labor market* determines what combinations of wage level, skill, and retention are possible for a business establishment. Corporate and managerial *strategy* includes decisions about product market niche or financial objectives, which have strong implications for whether particular operations seek to add value or cut costs. However, in practice, strategy typically plays out in provisional, experimental ways reflecting varying managerial beliefs, rather than representing a consistent long-term vision.

The rest of the paper proceeds straightforwardly with a discussion of data and methods, sketch of the state of the retail, financial services, and call center industries, presentation of findings, and brief conclusions.

II. DATA AND METHODS

Our research consists of case studies of a small number of companies. We look at call centers and their counterparts in the form of headquarters, branch offices, or stores. We have gained varying degrees of access to companies, but our goal—successfully realized in the majority of cases—is to speak to top managers, human resource officials, and frontline managers at each site we visit. We learn about the trajectory of change in internal labor markets primarily by asking retrospective questions. In addition, the unintended benefit of the long time it takes to complete the cases (often due to the logistics) is that we are able to observe the changes in real time. Data gathering extended from 1997 to 2003.

For the purposes of this paper, our sample of cases includes 12 businesses, 5 each in financial services and retail plus two third-party providers of call center services (all company names are pseudonyms):

- Our financial services sample includes three locations each from Bedrock Financial, a large company that provides a mix of wholesale and retail banking services, and Horizon Investments, a brokerage firm specializing in mutual funds. (By “location” we mean a metropolitan area, which may include multiple, separate facilities.) At Insurall and Steadfast, two diversified insurance companies, we visited two locations each. We visited the sole site of Total Insurance Services, a group insurance policy administrator. We published initial results on Insurall and Steadfast in earlier work (Moss, Salzman, and Tilly 2000). We have continued to follow the Insurall case as it evolves. We have not gathered additional data on Steadfast, but provide more detailed analysis of the case study here than in earlier work.
- In retail, Clarendon's (four locations) and Marketplace Stores (three locations) are large mid-market department store chains that have substantial call center operations and a strong Internet presence. We visited headquarters, stores, and multiple call centers in both cases, and visited a Clarendon's distribution center as well. In addition to these large companies, we studied three smaller, catalog-

based companies: Style Associates (which runs several catalogs purveying women's apparel and home furnishings), Treats (a catalog featuring food and gift items), and Necessities (a now-defunct catalog selling a broad range of housewares). In the interest of maintaining confidentiality, given the small number of companies and the large size of some of them, we state a combined employment figure for the companies studied in the retail and financial service sectors: 656,000. In total, these companies tally well over 33,000 call center "seats" (full or part time Customer Service Representatives, or CSRs).

- The third-party call center operators are Versatile Communications, a U.S.-based company with 835 call center reps and 334 other staff spread across multiple sites, and Eastern Response, a single call center in Asia (with 200 employed in the call center plus a small administrative group in the United States).

Across the three sectors, we spoke to managers located in Arizona, California, Connecticut, Florida, Illinois, Massachusetts, Minnesota, Missouri, New Hampshire, New York, Tennessee, Texas, and Wisconsin.

III. RETAIL AND FINANCIAL SERVICES BACKGROUND

Before moving on to case-based findings, we provide some basic background on retail, financial services, and the free-standing call center sector.

Retail

Retail selling via catalog is far from a new idea, of course. Indeed, the Sears catalog, established in 1886, dominated retailing at a time when much of the U.S. population was rural and dispersed (Jacoby 1997, Ch.4). As the populace urbanized and then suburbanized, retailing re-integrated: selling shifted to stores, shopping centers, and malls. But in the last twenty years, a combination of demographic changes placing a premium on saving time (the increase in two-earner and single parent families), along with aggressive expansion of specialty retailing, have fed an explosion of catalog selling. Many catalog retailers have no stores at all, or have stores that play second fiddle to catalog call centers and warehouses.

Two of our retail case studies, Clarendon and Marketplace, are department store chains. Therefore, we review background data on general merchandise stores and catalog and mail order retailers. General merchandise employment has grown at a modest pace over the past decade, whereas catalog employment has expanded smartly. Jacoby (1997) reported that 75 years ago at Sears, catalog sales jobs were even more degraded and high-turnover than store sales jobs. In today's retail world, however, the customer service representatives outearn salespersons, \$9.05 compared to \$8.15. Not surprisingly,

general merchandise establishments—many of them department stores—are on average more than three times as large as catalog sales establishments.

Retail stores, though geographically integrated, offer only limited upward mobility, with managerial and administrative positions accounting for only 8 percent of total employment (Herzenberg, Alic, and Wial 1998, Ch.4). Bailey and Bernhardt (1997), in a varied set of retail case studies, found little internal promotion, and reported that instead most companies recruit college graduates for manager training programs. Workforce turnover in retail is high, and despite growing discussion of the importance of service quality, much of the workforce is viewed as disposable. One indication of this is the 29 percent of workers in wholesale and retail trade who work part-time (U.S. Bureau of Labor Statistics 1997), with much higher rates in particular sectors—for example, 62 percent in grocery stores (calculated by authors from *Progressive Grocer* 1995). We are not aware of current case study work on mobility in catalog sales. Unionization rates in both general merchandise and catalog sales are low—around five percent in 1998—and falling (Hirsch and Macpherson 1999).

The retail industry has experienced massive consolidation through acquisitions by industry giants, as well as the closing of some independent chains. Fifty-six percent of general merchandise store sales are accounted for by the four largest companies; for the subset of department stores, the share is even greater at 62 percent, and for national chain department stores 100 percent (U.S. Census Bureau 2002). However, consolidation has not meant stability. Established mid-market and discount chains, such as Sears, K-Mart, and JCPenney, have lost market share to aggressive new discounters such as WalMart and Target, as well as to high-end chains such as Nordstrom. Among non-store retailers, the category including freestanding catalog sellers, the concentration ratio was a much lower 16 percent (U.S. Census Bureau 2002). However, this is somewhat misleading, since the largest general merchandise catalog sellers were counted in the store category. JCPenney (\$4 billion in catalog sales in 1999) and Federated Department Stores (\$1.9 billion) eclipsed the largest catalog-centered retailers, Spiegel (\$1.5 billion) and Land's End (\$1.3 billion) (Catalog Age 2000).

The last several years have seen the emergence of a new sales channel: the internet. Upstart “e-tailers” not based in existing bricks-and-mortar or catalog retail operations have attracted the lion's share of media attention. However, with notable exceptions such as first mover Amazon.Com, it appears that established retailers are dominating internet sales. In 1999, 21 of the top 100 internet retailers were traditional bricks-and-mortar retailers, and another 25 were catalog or direct marketing firms—and both groups had far larger sales than online-only companies (National Retail Foundation 2000). The fastest-growing sites had familiar names: WalMart.com, Target.com, JCPenney.com and the like (New York Times 2000a). Indeed, at Clarendon's, which ranks among the largest internet, web sales accounted for

only 2.5 percent of total catalog sales in 1999 (though the percentage is rapidly increasing); catalog sales, in turn, amounted to 22 percent of total sales.

The shift to catalog and internet sales creates the potential for separating retail sales activities from the stores that have been traditionally been their center. While anecdotal journalistic accounts suggest that such separation has taken place, this process has not been systematically studied in retail.

Finance

The insurance and banking industries have undergone tremendous restructuring over the last 20 years, spurred by deregulation, technological change, and financial and marketing innovation (Berger, Kashyap, and Scalise 1995, Salzman and Buchau 1997, Salzman and Rosenthal 1994). The recent mergers of Citicorp with Travelers Group, NationsBank with BankAmerica, and BancOne with First Chicago mark only a few examples. Insurance mergers and acquisitions soared from fewer than 200 deals per year in the early 1990s to a peak of 565 transactions valued at \$165 billion in 1998, although the number of mergers and acquisitions then fell to 293 in 2000 (*Insurance Day* 2001, Wolf 2001). Nonetheless, industry concentration remains relatively low, with the percentage of revenue accounted for by the four largest firms standing at 17.3 percent in commercial banking and 14.8 percent in insurance carriers—still far short of the ratios in food and retailing (U.S. Census Bureau 2002).

Industry consolidation and technological change braked job growth. Between 1996 and 2000, mass layoffs in finance, insurance, and real estate ranged from a low of 23,500 in 1997 to a high of 33,600 in 2000 (New York Times 2000b). Employment growth for employees of insurance carriers, humming at 1.8 percent compound annual growth between 1980 and 1990, slowed to 0.9 percent in the 1990s. Banking employment actually shrank between 1993 and 2000, and the Bureau of Labor Statistics forecasts continued slow growth for both industries through 2010 (U.S. Bureau of Labor Statistics 2002a). However, wages climbed rapidly as deregulation created an incentive for all types of financial institutions to pursue higher value-added activities. Insurers still pay more than banks, and insurance agents' pay is higher still; the average insurance carrier establishment also employs twice as many as the average bank. Unions covered a minuscule 3 percent of insurance workers and less than 1 percent of banking workers in 1998, down slightly from ten years earlier (Hirsch and MacPherson 1999).

Banks and insurance companies historically had highly developed internal labor markets. Until recently middle management (and even CEOs in some cases) ascended from entry-level clerical and service areas. Internal labor markets for less-skilled workers in banking and insurance provided security and some mobility, though unexceptional pay. However, the recent wave of restructuring has reshaped the job structure, typically in ways that reduce the scope and role of internal labor markets (Bernhardt and Slater 1998, Hunter *et al.* 2001, Keltner and Finegold 1996, 1998, Tilly 1996). One important element is

that many financial service companies have spun off back office and customer service functions into remote sites (Hunter *et al.* 2001). Citibank's decision, 20 years ago, to relocate its call center operations to Sioux Falls, South Dakota, heralded the emergence of this trend (Wirtz 2001). As in the case of call centers in telecommunications services (Batt and Keefe 1999), such de-integration un-bundles and isolates functions that were once part of broad jobs geographically and organizationally connected to large bureaucracies (Herzenberg, Alic, and Wial 1999, Ch.4).

Reflecting the growth of call center and back office jobs, over the 1980s and 1990s financial institutions saw bill and account collectors, new accounts clerks, credit authorizers, and clerical supervisors grow at a pace that far outstripped overall employment expansion in the industry (by a factor of 11 in the case of collectors!), and in most cases exceeded economy-wide employment growth (U.S. Bureau of Labor Statistics 1998). Within insurance, the Bureau of Labor Statistics (2002b) predicts the occupations with the greatest growth rates from 2000 to 2010 will be computer support specialists (projected to grow 65 percent, compared to overall insurance employment growth of 6.4 percent; they currently constitute only one percent of industry employment) and customer service representatives (currently 11 percent of insurance workers, predicted to expand by 49 percent) These growing positions require soft or social skills, unlike occupations such as record processing, which are diminishing in relative importance. Customer service skills, even among low-level financial services employees, appear to be a critical building block of competitive advantage in financial services (Frei, Harker, and Hunter 1995), so that to the extent mobility opportunities are needed to attract, retain, and motivate such front-line workers, dismantling ILMs may have negative effects on firm performance. Job structure modifications have also had consequences for the workforce at the industry level, including a dramatic widening of wage disparities within financial services (Brown and Campbell 1998).

Call centers as a separate sector

The North American Industrial Classification system implemented with the 1997 Economic Census created a new industrial category, call centers (code 56142). This group only includes free-standing call centers, not those within larger companies such as retailers. Nonetheless, the industry boasted over 323,000 workers in 2000. More than 80 percent worked at telemarketing establishments (the remainder were employed by telephone answering services). The typical establishment size is large—surprisingly, even exceeding that of insurance carriers, and pay levels are closer to those in retail than to those in financial services.

IV. CASE STUDY FINDINGS

Restructuring: How call centers emerged

Although toll-free 800 numbers date to the 1960s (Federal Communications Commission 2002), their widespread use did not occur until the early 1980s in the companies we studied. Inbound call centers emerged within existing businesses via two distinct paths. In some companies, remote customer transactions are core functions dating back to the origins of the company, and call centers evolved through the gradual technological transformation of these functions. For example, in catalog retailers, receiving and processing customer orders remotely have always been core activities. Early call centers were technologically crude by today's standards. At Treats, for instance,

When we first opened [the call center in the early 1980s], all the orders were taken on paper. We had several lines coming in, several catalogs. We jerry-rigged it so you could tell how to answer the phone—a bell would ring for one line, a chime would ring for another line.

Similarly, phone transactions stood at the center of Horizon's brokerage activities and Total Insurance's servicing of group insurance plans, and call centers were a natural next step in the early 1980s at both companies. At small companies such as Treats, Style Associates, and Total Insurance, call centers remain located at or near the company headquarters; larger companies such as Horizon dispersed call centers to multiple, remote locations.

In other businesses, call centers evolved from back office functions peripheral to core business activities, toward distinct business units that are increasingly important focal points of business strategy. At retailer Clarendon, the head of call center operations described the movement of catalog sales from mail order, to phone orders transmitted via teletype/ticker-tape, to the early 1980s launch of what she calls "the first true call center" based on automatic call distribution and orders typed into a terminal linked to a mainframe. In the insurance companies, until 10 to 20 years ago, most insurance was handled through insurance agents. Most transactions (e.g., applications address and policy changes) were conducted through the mail, and occasionally the agent would call the company for information. When they called, a clerk would take a message, then go to the relevant department to find an answer and call back the agent. As insurers expanded telephone communication, they increasingly bypassed agents to communicate directly with customers, and attempted to use customer service calls as an opportunity to sell added products. Call centers thus evolved in both industries from a group of "message takers" or "order takers" to a formal entity in the organization servicing customers.

The growth of call centers in these industries resulted from a combination of factors. Most visibly, new technology permitted businesses to efficiently handle large numbers of telephone calls and to access and transmit information linked to the calls. Call center telephony allowed companies to route calls based on a variety of criteria, track and monitor calls, and automate call handling through voice response units (VRUs). Beginning in the 1970s, computer companies developed mainframe and mini-

computers with fairly clumsy interactive interfaces, which provided access to information in real time, by a telephone-based customer service representative. LAN-based PC systems, which came online in the 1990s, made the mechanics of customer service much easier; all centers in our study are now using these systems. Most recently, the explosion of the internet has pushed these firms to expand call centers to become “customer contact centers” incorporating email and internet transaction processing.

But technology is far from the entire story. Increasing telephone use in business transactions created a virtuous circle, as customers became more comfortable and accustomed to using the telephone for various transactions. Businesses adopted new strategies, including insurance company efforts to increase direct business, bypassing the insurance broker (who took a commission), as well as the development of new, directly marketed financial products that required a means of servicing customers remotely. Deregulation of the financial industry allowed various institutions to offer a greater variety of products and services and to offer them with fewer geographical constraints (whereas previously they had been restricted from operating across state lines, or even across town lines in some states).

How did companies choose call center locations? Initially, call centers were developed in existing sites—in Clarendon distribution facilities, in the small-town mail order offices of Treats, or in the urban headquarters of Steadfast. But as call center establishment and operation became routinized, companies were free to choose a wide range of locations. Citicorp’s South Dakota back office facility, established two decades ago, was an early harbinger of the next strategy employed by numbers of large businesses. In a search for good manners and low cost, firms spread out through the Midwest and some places in the South. “I mean, we go to these places for the labor costs, of course,” remarked a Horizon Investments executive. In the Midwest, companies particularly targeted areas hit by industrial decline. One call center manager explained why Pittsburgh “has turned out to be our best market”: “A lot of the people that went to work for us early on, their husband had lost jobs in the steel mills.... Their husband couldn't go out and find another job comparable to what they were making, and many of them were too proud or too old or something to do that, I guess. A lot of the women became the breadwinners.”

Initially, since call centers grew out of pre-existing jobs, their job structures reflected those of the earlier jobs, and segmentation between call center jobs and other jobs retained a similar logic. But the job structure and skills evolved, in parallel with the technological and functional evolution of call centers. As call centers grew in both size and function, their role in the firm changed. In this, call centers followed a model of the interaction between technological and organizational change that one of us has described as *assimilation* followed by *accommodation*. In retail, more catalog orders were placed through call centers (rather than via the mail) and catalog orders became a larger part of retail sales. In parts of the financial industry where call centers had originated in back office functions, they gradually (or in some cases rapidly) became the point of primary customer contact.

The resulting transformations of work organization and job structure have not followed a simple path. Inbound call centers have been variously viewed as cost centers that became the focus of increasing operational efficiency in some locations and companies and, in others, as potential points of sale or customer retention, where value can be added. This ongoing tension between call center as cost center or as source of value added has pushed call center job structure in a variety of directions. As a result, we cannot make a simple comparison between job quality “before” and “after” call centers: the nature of call center jobs has continued to evolve. The next two findings sub-sections explore two directions of that evolution.

Tracking changing job structures

Before describing the evolution of inbound call center job structures, it is important to say something about the environment in which this evolution has taken place. Rapid technological and market change is one important part of the context. Many of our respondents remarked on this constant change. And as a Bedrock manager of call center and back office operations commented, “It’s much more of a challenge to engineer change *with* people than to hire in new people.” And yet, retention has become a central goal of call center managers.

Retention’s centrality arises in part from the difficulty of staffing call centers—another constant. We asked human resource and operations managers about the biggest challenges in running call centers. Even in 2002-03, long after the 1990s hiring boom had cooled, we got answers like “Making sure you have enough people, who are qualified, who will be here during the hours you want them” (Treats) and “The challenge of staffing for the variability in call volume” (Style Associates). “Telemarketing has a stigma,” said a Necessities call center manager. “[Over time] the credibility of a call center career grew. But there’s still a stigma.” A Total Insurance supervisor noted, “Some people come in to apply for CSR jobs, and their main angle is not to be on the telephone—I don’t want to be on the telephone all day.” She also said, “This isn’t really a call center”—although in every major respect it did appear to be one.

Turnover is the scourge of call center management, especially in a retail environment. We despaired of trying to come up with comparable turnover measures across companies: some companies exclude separations during the probation period, others exclude separations of seasonal workers, and still others only keep track of the number of hires, not separations. Still, turnover measures from retailers that use the broadest definition of turnover indicate the upper end of the problem:

- Typical turnover 130% including seasonal employees, 30% excluding seasonal (Marketplace customer service call centers)
- 180% in inbound staff, from 50% to 500% (depending on the maturity of the center) for outbound staff (Necessities; outbound involved calling existing customers, not cold calling)
- 60% of each entering CSR class (Style Associates)

Finance call centers tend to be better paid and involve less routine work, and reported turnover of 0 to 13% (though these figures may be based on narrower definitions). Even so, a Total Insurance manager who oversees 22 mostly call center employees complained, “We had our steady Eddies, but then there’s three positions that seemed to keep turning over”—twice or more per year. This contrast between a steady core and a high-turnover fringe is widespread. For example, a Versatile Communications call center manager summarized: “There are two groups: those who move on, and are gone within six months, and those who stay on.” More specifically, there is typically trimodal composition of turnover: (1) a long-term, stable, and older employee, often dating from the earlier days of call centers when they performed more routine functions; (2) younger workers working in the call center for experience and as the entry point for a career in the company or industry, with shorter duration in the call center but sometimes with longer tenure at the company; (3) a high turnover group with attendance problems or other work/motivation problems, often trying call center work for the first time and discovering they do not like it. A manager at Bedrock perhaps best captured the division between the first and second groups:

We’re having turnover because of bank’s posting [internal mobility] program. Younger [and college-educated] staff are posting out. But I’ve got the tenured staff who love the department and the work that they do. Thus you have the trunk of the tree, the roots that keep you in the ground. The leaves that blow off in the fall—that’s the young people who want to climb the corporate ladder.

So within this context, how have call center internal labor markets evolved? One window on this is “before and after” comparison of job structures. In retail, the explosion of catalog sales can be viewed conceptually as the replacement of stores by call centers. Comparison of jobs in stores with those in call centers can, in principle, allow us to assess the resulting change in job quality. In finance, the comparison is less clear-cut, for several reasons. The jobs replaced differ by sector: insurance call center jobs came out of different functions than their brokerage counterparts. In some cases, such as insurance, call center positions replace a mix of functions spread across jobs (agents, clerks). Moreover, some call center jobs replace workers who no longer exist in significant numbers (such as the old agent liaison clerks), whereas others have been created to serve completely new needs (such as CSRs who service 401k plans, which were only invented in 1980 as call centers were appearing [Cassidy 2002]). For all of these reasons, we center our “before and after” discussion on retail call centers.

Clarendon’s job trajectory is illustrative. Here are current job grids for a single Clarendon store and for the company’s entire call center operation.

Job grid for a current Clarendon store

<i>Job Title</i>	Wage	<i>Requirements</i>	<i>Upward mobility</i>
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Sales associate	\$6.50-\$11.05	Verbal communication, appearance. Experience preferred.	Yes
Sales associate, commission	\$13-14 typical		Yes
Senior customer service supervisor assistant	About \$12		Yes
Senior sales manager	\$10.50-\$13.45		Limited
Senior department manager*	\$30k-\$68k	Usually college	Yes
Store manager	\$45k-\$114k for middle-sized store		Limited

*Until several years ago, there were two layers of senior department managers, and in many stores an assistant manager as well.

Job grid for a current Clarendon catalog call center

<i>Job Title</i>	<i>Wage</i>	<i>Skill requirements</i>	<i>Upward mobility</i>
Customer service rep (CSR)	\$7-\$11.60 (varies by location)	Basic reading, speaking ability. Requires high school.	Yes
Senior CSR*	\$8.79-\$13.00		Yes
Team leader*	\$10.20-\$15.60		Yes
Shift operations manager (SOM)	\$28k-\$56k		Yes
Operations manager* (1 per ctr.)	\$44k-\$70k		Yes
Center manager	\$65k-\$102k	College not required for any job.	Limited

*These positions were added in the last 10-15 years.

Some possible comparisons are misleading. For example, call center managers earn considerably more than store managers. However, the average Clarendon call center has 500 employees (and some have as many as 800), whereas the average store has 150-200, topping out around 300.

Most useful is comparing the range from sales associate to senior department manager in stores, with the range from customer service representative (CSR) to shift operations manager (SOM) in call centers. Here, the most striking finding is comparability. Entry sales associates do start and top off at a somewhat lower level than CSRs—in part because the sales associate job does not even require high school—but the difference is small. At the upper end, SOMs do not reach the same heights as senior store department managers, but we were told that Clarendon is scaling back the upper end of the department manager pay range.

At first glance, the mobility options seem to present similar comparability across stores and call centers. Both have six major levels. But when Clarendon created its first “true call centers” in the early 1980s, the contrast was sharp. At that time, stores had two additional managerial levels, totaling eight. Call centers, on the other hand, started out with three layers: CSR, SOM, and center manager. Remarkably, Clarendon added three new strata in less than eight years. Interviewees told us the positions were added to ensure adequate supervision and “to create career growth opportunity.” Thus, following change over time demonstrates a dramatic expansion of mobility opportunities that is not evident when comparing job structures “before and after.”

We heard similar accounts at most companies that created call centers. Marketplace Stores merged customer service call centers from two different origins: in-house call centers, and those run by At Your Service, an outside contractor that the retail company acquired. Marketplace’s in-house call centers spanned four job levels from top to bottom, hired all part-time workers except for six top-ranking managers in each call center, and paid minimum wage with no raises and high turnover. The contractor, in contrast, built in five job levels, hired primarily full-time even at the entry level, paid somewhat higher wages, and experienced somewhat lower turnover. When Marketplace absorbed At Your Service, corporate managers reportedly told management at the contractor, “You’re part of Marketplace now—deal with it.” However, at the end of the process, the merged set of call centers adopted the more developed internal labor market pioneered by At Your Service.

Similarly, Steadfast Insurance sited a new customer service call center in a remote location we call Metrowest, with the initial intention of creating a very flat organization. Metrowest began with a single category of “associate,” a team lead, and two center managers. There were pay increases for skill and performance, and assignment of special projects and assisting other associates, but no changes in formal job titles. The call center attracted a fairly skilled workforce, including many college graduates, who were eager for advancement. In a short time, after the initial team lead positions were filled, top-performing associates began to complain that they wanted a career path and job/title responsibilities that reflected their roles and skills. As one associate explained, “I can’t tell my friends and colleagues about a pay raise, but I can tell them about a new job title.” Perhaps more importantly, the associates we interviewed said that they came for a “career” and wanted mobility opportunities that they did not think were adequately reflected in pay raises and additional responsibilities. Management responded by creating a formal “assistant lead” for each team and adding some specialty roles for training and shift leads. Somewhat reluctantly—since they were moving away from the corporate-mandated flat job structure—they instituted a new job hierarchy as a means of retention. At the time of our interviews, managers were also discussing how to create mobility paths that linked the Metrowest center with Steadfast headquarters, thousands of miles across the country.

Other companies yielded similar accounts. Total Insurance created senior reps, trainers, team leaders, and coordinators—“We’re a little title-happy,” the HR Director admitted. Necessities not only added levels, but created sub-levels—rep, lead and shift supervisor each expanded to include levels 1, 2, and 3. Our interviewees at Treats and Style Associates did not recall past additions of new job levels, but both were looking into creating new lead or senior rep levels. At Style Associates, the HR Director said, “We’ve been looking at the issue of career pathing. When you come in, is it clear to you what your career path may be?”

Bedrock and Versatile added levels in ways that were more limited, but still significant. In the late 1990s Bedrock created a new specialist analyst position at an intermediate grade level, for people who do not have college but have “the ability and will to move up.” The goal was retention, and they didn’t take the step earlier, according to the recruiter, because “nobody was leaving.” At Versatile, within the first year of opening a center, the manager expanded quality assurance as a promotion avenue for experienced reps: “Originally we promoted them to senior rep, but they were doing administrative work, and it didn’t serve the purpose of making use of their experience.”

Of course, one reason for the creation of new supervisory levels is increasing call center size, combined with the limited span of control of any particular supervisory level. Style Associates offers an illustration of the size effect: the 80-person call center has five job levels, whereas the stores, which top out at 15 people, have only three levels. But respondents told us that the drive for added levels came from a combination of increased center size, the realization that added supervision was necessary, and the goal of creating opportunities for upward mobility in order to retain valued employees. At Total Insurance, the HR Director told us in an email that all three factors mattered: “Company getting bigger, as well as giving opportunities to reps with seniority to handle additional responsibility and ease burden of Manager’s role.” At Necessities, a manager emphasized the importance of creating mobility opportunities:

Interviewer: The increasing number of job levels—was that just to manage a larger operation, or was the goal to create jobs for upward mobility?

Necessities inbound operations manager: Both would be part of it. As the telemarketing function grew, it got easy to walk down the street where the job pays 25 cents more an hour. If you’re not going to be the highest-paying wage base in the area, you will have high turnover.... So we were trying to put some value on the job. Offer advanced training, a different role. Promote from within.... We layered, we did all those things to offset turnover.

In addition to adding job layers, Horizon and Bedrock totally revised their systems of internal mobility, ending the requirement that employees seeking a move go through their own managers, and substituting an open posting system in the late 1990s—in part to retain employees who might otherwise search for better jobs in the superheated external labor market. “The idea was to stop acting like individual kingdoms,” remarked a Horizon Vice President. “As a manager, it takes a little bit to get used to.... It was a huge culture change.” Upward mobility from call center positions became so common that

a Horizon call center manager told us, “I actually created a flow-through model. I told the other Horizon partners [divisions] ‘You can have 4 in May, 6 in June, none in July’”—this in a call center where “It takes 7 to 9 months to get a rep up to speed” and a rep is not considered fully trained until about two years. At Bedrock, HR officials told us one important result of opening posting for higher and higher level jobs was that it became easier to move from clerical to professional positions. “Before, even when you got a degree, we would give you a hard time,” a HR recruiter told us. “Now you can move pretty easily.”

In some call center settings, the newfound goal of promoting internal mobility proved remarkably resilient in the face of countervailing corporate initiatives. Around 1990, Clarendon’s executives called for reducing management head count in the centers; interestingly the centers did this by decreasing the number of managers, but also increasing the number of (sub-managerial) supervisors so as to maintain a fixed 60:1 ratio of managers and supervisors. Also around this time, Clarendon’s adopted a policy of bringing more new blood into management rather than promoting from within. However, only one of the call center managers we interviewed even remembers this initiative. She reported that she briefly increased outside hiring to 30-40 percent of management hiring, found it extremely difficult to retain outside hires, and went back down to hiring only 20 percent of managers from outside.

Promotion from within is ubiquitous at the call centers we investigated. Typically, 60 to 90 percent of supervisory and managerial employees have come from within, although the percentage is lower for higher level and more specialized jobs. At Versatile, the call center manager noted that “I try to get one or two supervisors from outside, just to have a little bit of a different perspective.... But outsiders don’t always work out as well. If someone comes in from outside, it will take them 5 to 6 months to be acclimated.”

Several of our call center employers undertook efforts to broaden moderately skilled jobs. Companies are broadening jobs in response to both popular management prescriptions and specific operational demands. Steadfast, Insurall, and Marketplace all broadened jobs in an attempt both to offer improved service and to seize opportunities for cross-selling. In brief, Steadfast restructured its retirement services business from providing mostly fixed annuities to offering a wider range of financial products (e.g., mutual funds). To support the new organizational structure they began a series of significant changes in their job structure. Steadfast eliminated specific job descriptions and instead defined broad functional area responsibilities (e.g. “customer associate,” which encompasses the responsibility of six former discrete jobs), going from 7,000 separate job descriptions and classifications to only 2,000. To select for workers more likely to master a broader range of duties, Steadfast stiffened their entry screening of job candidates. On the other hand, once in a position, an employee generally

faced greater opportunities for skill acquisition and pay increases, since both were expanded *within* job categories. Insurall reorganized jobs in a very similar fashion.

Marketplace likewise grappled with how to position their company in the retail market. The middle market they traditionally served was becoming segmented, going to specialty retailers and lower cost retailers. Marketplace decided to cultivate a higher-income segment of customers by providing improved and expanded service through its call centers. The strategy was to provide a “universal agent” who could service a customer’s multiple accounts and all aspects of service, from ordering to credit to service. This required extensive knowledge about a number of operational areas that traditionally had been specialized. Universal agents would acquire a broad range of knowledge about Marketplace’s operations. This new position provided a new mobility opportunity within call centers but required longer retention because of the training time and investment. Marketplace managers also hoped the universal agent would provide a platform for drawing on data from multiple sources—stores, call centers, online sales, credit—in order to cross-sell and up-sell customers.

Another impulse for cross-training was simply to smooth out the weekly and seasonal peaks and valleys of particular tasks. After discussing the highly seasonal nature of the work, the Director of Operations at Treats remarked, “In past, we hired people as [telephone sales from the main catalog], customer service, collections, [telephone sales from another catalog]—now we’re moving much more toward multi-tasking.” Horizon began training inbound callers to additionally do outbound calling as a retention strategy after the market collapsed in 2000-2001. “In the call center world, it’s religion that you can’t mix outbound and outbound,” one operations manager commented, but he and others viewed the experiment as a success.

In short, in call center after call center we heard a strikingly similar narrative. Companies initially created inbound call centers with large numbers of relatively low-paid jobs with few opportunities for upward mobility—a turn away from more typical job ladders in these companies. But emerging concerns for retention and increasing appreciation of the difficulties of supervising call center workers, as well as increases in the sheer size of call centers, led the businesses to significantly expand those opportunities over time, adding job levels, opening new mobility channels, and in some cases broadening jobs as well—rebuilding internal labor markets. In the tug-of-war between cost containment and concerns about the quality of customer service, quality concerns drove this expansion of mobility. A final indication of the power of quality concerns is the stumbling of Eastern Response, the Asian call center set up by U.S. investors. As one of the principals described it,

Our marketing plan was ‘We’ll blow them out of the water with low marketing costs. It didn’t work. You need another level of sophistication with sales and marketing. For companies that are outsourcing, it’s more an issue of control and culture than of savings... You’re dealing with your

customer base, so they want to make sure that the people in the call center represent your company.

Limits to expanded mobility

Despite the evidence for expanded mobility propelled by quality concerns, we also found forces limiting and in some cases reversing wider mobility opportunities. First of all, it is important to emphasize that even with added job layers, upward mobility remains limited in most inbound call centers. “We’re a flat organization—there’s not a lot of promotional opportunities,” acknowledged the HR Director at Total Insurance. “But,” she added brightly, “there are a lot of chances for mobility, to move from one type of work to another.” At Style Associates, “[Upward mobility is] kind of slow-moving—there is little turnover in other areas, but high turnover in [entry level call center work].” Moreover, pay differences between job levels can be small—the Clarendon call center job grid above reveals steps of about \$2 per hour between the first, second and third levels, and at a smaller retail like Style Associates the analogous steps are only \$1 apiece.

Companies also typically segment their inbound call center jobs, as Batt (2000) has suggested. The companies we studied adopted two main logics of segmentation. One is organizing jobs by customer segment, as described by Batt. For instance, Horizon directs calls to different workforces for investors with \$500,000 or less, those with investments between \$500,000 and \$3 million, and those above \$3 million; similarly, Total Insurance routes calls to different sets of representatives based on the size of the insured group. In both cases, the segments were created from an initially undifferentiated call center workforce. A second segmentation logic divides up the workforce by function. At Necessities and in fact most call centers, inbound and outbound calling are assigned to two distinct workforces. At Marketplace, taking orders, handling credit issues, and providing technical support are each specialized activities.

In addition, the upward mobility we observe has been enhanced in part by a transitory “startup effect.” Those present at the opening of call centers, or shortly thereafter were often able to rise quickly through management without credentials. “If I was to come in now, it would be very difficult to get to my position here,” remarked a Clarendon SOM. “All the managers have been here at least 10 to 15 years [in a center that opened 16 years earlier].” Thus, the rapid ascents into management characteristic of many managers were out of sync with currently available promotion opportunities for new entrants. Because most call centers have opened in the last 20 years, this cohort difference is widespread.

But in addition to such built-in limitations, our case studies demonstrated that companies pulled in two directions by cost and quality concerns typically ended up striking a variety of compromises. Insurall illustrates one possible compromise. Headquartered in the downtown of a large coastal city,

Insurall shifted one department to a southern location hundreds of miles away. Impressed with the results of replacing an unmotivated urban workforce with hard-working, low-wage southerners, the company relocated added functions to the southern site and a new midwestern site. At one point in the late 1990s, top Insurall managers vaunted geographic dispersion as the company's main strategy for solving human resource problems. But the company soon encountered difficulties in coordination, and pulled some functions back to the headquarters. Over time, the company has continued to reconsolidate operations geographically. Interestingly, however, they have chosen to consolidate in the new midwestern location. Further, although they took advantage of lower wages in the Midwest than on the coast, they paid wages at the top of the local labor market, taking a "high road" strategy as compared to a number of other financial services companies in the same city that paid much lower wages. As the call center manager explained:

We pay a little more than the [local] market rate for a call center. There are many 7, 8, or 9 dollar-an-hour jobs around here so we are attractive to a lot of the market, and it's why we have low turnover. We get people from other call center operations [names the other companies with call centers in the city].

Marketplace, likewise, has struck a variety of compromises. Though Marketplace's customer service division has adopted the higher-end employment model developed by At Your Service, the largest center in the network had the misfortune to locate a short distance from a large computer vendor's call center, which offers customer service jobs paying \$4-\$6 an hour more. Some managers at the Marketplace center gamely argued that they can compete with the computer vendor by offering more hours flexibility and the promise of upward mobility in the much larger Marketplace organization, but the human resource manager conceded that she must run a "high turnover organizational model." This meant hiring at slightly below market wages and providing a gradual training program (as opposed to an intensive starting training program as done elsewhere) so as to lengthen the time before her best workers would leave for the computer company. At the same time, she was able to hire good workers with below market wages in part because they recognized that their mobility possibilities included moving to the computer company. Closing the circle, at Marketplace headquarters executives were meanwhile debating whether to centralize call centers and whether to locate them near their headquarters, with creation of mobility paths from call centers to headquarter jobs as an issue under consideration.

Attempts to broaden skills also struck a variety of shoals. At Steadfast and Insurall, cross-training did not work out exactly as planned, although it is still in effect. As CSRs received expanded training, they became more likely to find other job opportunities before fully amortizing the training, and customers calling about insurance did not turn out to be terribly interested in shopping for retirement products. At a Bedrock facility, a Vice President reflected,

We've found that [in rapidly expanding cross-training and multi-tasking] we created more risk for ourselves than we realized. From a competitive or a productivity standpoint, there's risk. Some people from other functions are not as good in the call center. And some of the best people on the phones don't know how to write in a professional manner.

More generally, the typical managerial attitude toward the prospects of cross-selling shifted from optimism as late as 2000 to pessimism in 2003. At Marketplace, the universal agent experiment was dropped outright, in part because call center managers refused to offer the broadly trained universal agents more pay, arguing that this would sow dissension among CSRs. The inventors of the universal agent concept, however, vowed that the job broadening approach would be revived in the near future.

Businesses also often combine job broadening and steps to enhance mobility options with other changes that degrade jobs. At both Clarendon and Marketplace, catalog order-takers have been instructed to sell magazine subscriptions to customers, as part of a contract with a company that markets discount subscriptions. Many of the more senior CSRs at Clarendon resisted, reportedly viewing the telemarketing add-on as "scammy" and "not a Clarendon product." Nonetheless, the small cost offset multiplied by hundreds of thousands of calls daily showed a clear accounting profit for Clarendon. Not visible, of course, were any future purchases lost due to customers put off by the sales pitch.

One of the most dramatic zigzags in job mobility systems took place at Style Associates (SA). Before the 2001 recession, SA recruited all call center employees through an outside temporary agency in a "temp-to-perm" arrangement. But when the recession struck, "We were looking for costs to cut," the HR Director told us. "We looked at things that were being done by outside people, and said, 'We can do it ourselves.'" SA dropped the temporary agency and began to recruit workers directly. But as of 2003, the company was considering replacing a significant portion of the call center workforce with "a pool of people managed by another company...temps by any other name. It could save us some significant costs in terms of payroll taxes, unemployment, workers' comp," the HR Director explained.

Amidst the predominant story of expanding mobility opportunities, then, we find a series of compromises and reversals. Though goals of retention, motivation, and improved service spurred steps to strengthen job ladders and broaden jobs, costs and other concerns placed limits on these opportunity-enhancing initiatives.

What of the future of inbound call center work? Managers voiced conflicting views of the future, and specifically the likely impact of web technology. At Bedrock, the manager of a program that includes phone and web interfaces stated,

There is a move toward [customer] self-sufficiency, given the dynamics involving the web environment. I see a transition in the call center industry. Call centers are transitioning much more to contact centers based on web-enabled activity.

The CIO of Horizon agreed, citing estimates that the typical transaction costs 1/100 as much via a web visit as via a call to a customer rep—“so we’re trying to shift people to the web.” But the Inbound Operations Manager at Necessities described the Internet’s impact as “minimal,” and growing only “slowly.”

The importance of managerial strategy

Our case studies reveal that the tug-of-war between seeking to minimize costs and seeking to add value in inbound call centers has generated numerous corporate changes in direction. Businesses created flat call center organizations untypical of previous job structures within the company, then went on to add layers to these organizations. They created broader jobs, only to later express doubts or even scrap the wider job categories.

Businesses undertook these shifts in part because they encountered new situations, and changed policies as they traveled the learning curve in each new state of affairs. One particularly important dimension of this learning process was responding to external labor markets. The Marketplace HR manager who discovered the difficulty of retaining call center employees with a high-paying computer retailing call center down the street, or the Bedrock and Horizon managers who adopted open posting systems to stem the sudden outflow of ambitious workers in the late 1990s, were without doubt adjusting to new external labor market circumstances.

But describing business adjustments in this way risks an overly deterministic view of business action. In fact, companies are constantly reacting to a changing environment, undertaking experiments with variable success, and in many cases generating unintended consequences. In this fluid context, the predilections and theories of particular managers or groups of managers can drive companies in a variety of directions. At Clarendon, directives from top executives to reduce management head count and bring in more outside managers were evaded or shrugged off by call center managers. At Steadfast and Marketplace, managers used an untested theory about the value of cross-selling to justify cross-training, only to find little support for the theory.

Even a single manager can impel a major change in direction. At Insurall, for example, a new manager overseeing call centers flipped the organizational calculus, according to one center manager:

The previous manager of the business was too focused on unit cost. He couldn’t see the forest for the trees because we were too busy counting [call] times.... The new manager changed the way he measured our performance. He doesn’t care about those old measures—he’s not as unit-cost driven.

Before, my morning mantra, “unit cost, unit cost...” had us looking at what we need to be doing to decrease unit costs, what we could automate only if it would lower costs. So we did things like borrow people from other departments so we wouldn’t have to hire. At the same time business was increasing but the old manager would hesitate to spend money – he never got it about the connection between turnover and costs. If someone left, the unit costs decreased and he

wouldn't want to replace them. Then, calls increased and we just had a lot of burnout. After that manager left it took us a year to recover. We had to step back, think about the whole process, and get more people in to answer the calls, to do things more rationally, to do some planning. The new manager didn't require us to do the same level of ROI [return on investment] justification – if new technology fit with our plan and would improve operations. It's now less stressful [i.e., they can do more training, increase the staff in the center, and decrease stress and lower turnover.]

Did unit costs decrease? Hard to tell, because the numbers are always subject to manipulation.

The new manager recognized that the call center played a key role in the quality of service provided and the importance of that for customer satisfaction and thus retention. Moreover, he shared the center manager's view that increased staffing and training would result in less stress, more job satisfaction, and lower turnover, thereby reducing costs and providing more value to the company. This call center manager was also able to obtain a large capital investment from her manager to purchase new telephony technology that would allow skill-based call routing and more sophisticated call handling, analysis, and tracking—something she was unable to do under the previous manager because the cost reduction benefits alone, as compared to the value-added benefits, were not anticipated to justify the investment.

On a smaller scale, the HR Director of Style Associates described changing HR policy as a function of the expertise of successive HR directors.

Interviewer: How did the career pathing discussion come up in the organization?

HR Director: This is an area I focus on. It's evident [as an issue that was left unaddressed] through the Mark Group history, in HR. The first HR person was a compensation and benefits person. Next person as director had a focus on recruitment. There was a lot of hiring at all levels of the organization. Now the organization's kind of settling down, and so we're putting the emphasis on performance planning, performance management. That's kind of my specialty.

V. CONCLUSIONS

Our case study evidence suggests that job and mobility structures in inbound call centers are indeed evolving, changing iteratively in response to conflicting cost-cutting and service-enhancing objectives. Inbound call centers originated from core functions in some companies (particularly in catalog retail), and peripheral functions in other (store-based retail, insurance, banking). From the start, they embodied the tension between standardization and customization. Retail and finance companies changed course, initially flattening internal labor markets to create call centers but later rebuilding them, at one point enthusiastically broadening jobs but later questioning or reversing this course of action.

We find evidence for our claim that businesses still find it necessary to integrate substantial portions of their workforce into the firm via internal labor markets, and that most recent movement in the companies studied has been toward reintegration. Proclamations of a “new social contract” ending

employment stability, internal mobility, and firm-based skill development thus appear premature, or at least overstated. Most of the retail and finance businesses under study found it necessary to rebuild internal labor markets within call centers, to the point where call center job ladders are quite comparable to those in retail stores, if not insurance home offices. These employers bumped up against the limits of Taylorist division of labor, the need to attract and retain talent, and the need to motivate employees to provide good customer service.

The recent movement back toward stronger internal labor markets responds in part to the tighter external labor markets of the late 1990s, generated by a strong economic expansion. But in our cases, we also saw de-integration during the tight labor markets of the late 1980s (for example, creation of remote call centers by Clarendon, Marketplace, and other companies), and re-integration during the recession of the early 1990s (for example, Clarendon added managerial layers to its call centers during this period). So while tight labor markets may reinforce certain types of restructuring, they do not dictate the path of restructuring.

That path also includes swerves in the direction of *reducing* call center job quality and mobility opportunities. While steps in this direction were less frequently observed, we did find companies like Insurall, Clarendon, and Marketplace striking compromises between cost and quality objectives, and in some cases re-narrowing or even degrading call center jobs. These reversals cannot be attributed primarily to the 2001 recession, since most of them pre-dated it.

Finally, the case studies indicate that all of these processes are largely driven by the interaction between external labor markets and managerial strategy. By the external labor market, we refer both to cyclical changes in labor market tightness, and to the local labor market call centers face in any given location. External labor markets place ultimate limits on strategy (although of course the nature of the external market also results from location decisions grounded in strategy). In the words of a Necessities manager quoted above, “If you’re not going to be the highest-paying wage base in the area, you will have high turnover.” But particularly striking in our findings is the degree to which managerial strategy plays a relatively autonomous role. In an uncertain and changing business environment, managers’ beliefs and preferences carry significant weight in shaping call center job structures.

Our case studies offer us no crystal ball to forecast the future of call center work. However, it seems safe to say that the twin objectives of cost-cutting and service improvement are likely to continue driving inbound call center evolution in a zigzag pattern, steering a course that is unlikely to turn permanently toward high-turnover sweatshops, nor toward high-mobility, highly skilled jobs. Specifically, despite many businesses’ search for a technological fix that will take the discretion out of customer service, the track record of the last two decades indicates that skill and accumulated knowledge

remain critical, even in the most basic inbound call center jobs. The future of call centers remains under construction.

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