The Global Call Center Project

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Why study the ‘global’ call center sector?

- Paradigmatic case of globalization of service work
  - High mobility: Expect convergence
  - If institutions matter here, they should elsewhere

- Call centers as economic development?
  - Good jobs or bad jobs?

- Call centers as point of controversy among stakeholders
  - Business, government, union, employee, consumer interest
Project goals

- To map the range of management practices in call centers around the globe

- To explore how national institutions and business strategies affect work organization, HR, and industrial relations practices

- To examine how these differences affect call center outcomes
Participating countries

- Coordinated economies
  - Austria, Denmark, France, Germany, Israel, Netherlands, Spain, Sweden

- Liberal market economies
  - Canada, Ireland, UK, US

- Recently industrialized (transitional) economies
  - Brazil, India, Poland, South Korea, South Africa
Research method

- Quantitative: National workplace survey
  - Establishment survey of call center managers
  - 17 countries
  - Covers 2,477 call centers
  - Covers 474,941 employees

- Qualitative field work
  - Managers, employees, employers associations, unions, policy makers
Methodological challenges

- How many country teams?

- How establish quality control?
  - Survey comparability
  - Field research

- How establish collaboration, trust?

- How establish rules for data access & co-authorship?
Findings

1. Similarities across countries: Convergence
   - Markets and services

2. Differences within and across countries: Divergence
   - Workforce management (skills, work design, HR practices, collective representation)

3. Why do these differences exist?
   - National institutions across countries
   - Business strategies within countries

4. How do these differences matter?
Competing in Services.... Dilemma 2

The service quality paradox

- Services cover 80% of employment
- Service central to competitiveness
- Rise of customer relationship management
- Dramatic increase in information technology

- But...
  Widespread decline in customer satisfaction
## Service Quality Paradox

<table>
<thead>
<tr>
<th></th>
<th>1994/5</th>
<th>Lowest</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durable Goods</td>
<td>79</td>
<td>78</td>
<td>79</td>
</tr>
<tr>
<td>Non-Durable Goods</td>
<td>82</td>
<td>79</td>
<td>81</td>
</tr>
<tr>
<td>Utilities</td>
<td>75</td>
<td>69</td>
<td>73</td>
</tr>
<tr>
<td>Airlines</td>
<td>72</td>
<td>61</td>
<td>66</td>
</tr>
<tr>
<td>Banks/Insurance</td>
<td>79</td>
<td>73</td>
<td>73</td>
</tr>
<tr>
<td>Hotels</td>
<td>75</td>
<td>71</td>
<td>73</td>
</tr>
<tr>
<td>Hospitals</td>
<td>74</td>
<td>67</td>
<td>71</td>
</tr>
<tr>
<td>Wireline telephone</td>
<td>81</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Wireless telephone</td>
<td></td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>Cable TV</td>
<td></td>
<td></td>
<td>61</td>
</tr>
<tr>
<td>Call centers</td>
<td></td>
<td></td>
<td>54</td>
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Source: American Customer Satisfaction Index
The low productivity-wage trap

- 80% of economic activity is in services
- High levels of innovation & performance in new information industries

But…

Low productivity growth
25% of service workers make poverty wages insufficient to support a family of 4
Examples of low wage jobs

- Hotel housekeepers, restaurant workers
- Nurses aides in hospitals
- Retail service & sales workers
- Child care workers
- Taxi drivers
- Food service workers
- Call center workers
## Top 10 Occupations with Largest Job Growth, 2002-2012

<table>
<thead>
<tr>
<th>Occupation</th>
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<th>% change</th>
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* Employment in 1,000s

** 1=$41,820 or more; 2= $27,500 - $41,802; 3 = $19,710 - $27,380; 4 = less than $19,601

The local-global debate

- Historically service jobs were local
- Now IT allows the unprecedented off-shoring of low skilled work and high skilled

- What corporate and public policies should be pursued?
Strategic Human Resource Model

Business Strategy

HR Strategy

Selection

Rewards

Training

Work design

Vertical Fit

Horizontal Fit

Dyer, 1984; Wright et al.
Strategic Industrial Relations:
Manufacturing Model

MacDuffie 1995; Appelbaum et al 2000; Batt 2002
Service Management Model

Functional Integration

Marketing: Customer mgmt

HR: Workforce mgmt

Business strategy

Operations: Technology mgmt
Service design in operations management

- **Goals**
  - Improve efficiency, productivity

- **Customer Contact Model of Operations (Chase)**
  
  Potential operating efficiency =
  
  \[
  F (1 – \text{Customer contact time/ Service creating time})
  \]

- **Turn high contact services into low contact ones**
  - High contact: Face-to-face
  - Moderate contact: Telephone, technology mediated
  - No contact
    - Turn service into product
    - Turn service into self-service
Service design in operations management

- **Service blueprinting**
  - Separate out technical core
  - Line of visibility: back office versus front office

- **Service process engineering**
  - Apply scientific management principles
    - Taylorize processes
  - Mechanize
    - Turn manual into mechanical process
  - Automate
    - Create self-regulating system
  - Routinize
    - Standardize behaviors
## High contact versus low contact services

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<th>Service</th>
<th>High contact</th>
<th>Low contact</th>
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<tbody>
<tr>
<td>Location</td>
<td>Close to customer</td>
<td>Close to transport, labor</td>
</tr>
<tr>
<td>Layout</td>
<td>Fit customer needs</td>
<td>Enhance production</td>
</tr>
<tr>
<td>Design</td>
<td>Open system</td>
<td>Closed system</td>
</tr>
<tr>
<td>HR system</td>
<td>▪ Interaction skills</td>
<td>▪ Technical skills</td>
</tr>
<tr>
<td></td>
<td>▪ High discretion</td>
<td>▪ Moderate discretion</td>
</tr>
<tr>
<td></td>
<td>▪ Staffing variability</td>
<td>▪ Full-time staffing</td>
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<td></td>
<td>▪ Pay linked to service</td>
<td>▪ Pay linked to efficiency</td>
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Production line example: Retail Banking

Back-office operations: 1960s-70s
- Mechanization of check processing, data entry, etc.
- Remaining jobs: low skilled, outsourced

Front-office operations: 1980s
- ATMs: Self-service
- Call centers: Call distribution systems, monitoring

Process re-engineering: 1990s-2000s
- Automation: Automatic call distribution systems
- Internet: Self-service options
- Outsourcing-offshoring
Dilemmas in services…

- How much managerial choice exists in the design of service delivery systems?

- What are the limits to the use of the production line approach in services? To automation, self-servicing?

- Advantages & disadvantages of low contact model?
  - For customers, employees

- Are there necessary trade-offs between quality and productivity?
Customer Segmentation & HR strategy

Customer segment

- High value
- Low value

Production Line model

Back office

Mass market

Small business

Large business

Global accounts

HR strategy

Professional model
HR-Performance Model in Call Centers

**HR Index**
- Skills
  - Education
  - Training
- Work design
  - Discretion
  - Group work
- HR incentives
  - No monitoring
  - On-going training
  - Job security
  - Compensation

**Quit rates**
- +.13*
- -6.34*
- -.14*

**Sales growth**
- .26***

Batt, AMJ, 2002
HR practices, service quality, net revenues

Figure 4
Full Mediation Model: HR Practices, Service Quality, and Net Revenues per Call

Training

Discretion

Rewards

Service Quality

Net Revenues per Call

.21+

.45**

Chi-square = 110.499
Degrees of freedom = 25
CFI: .94
IFI: .95
NFI: .93
RMSEA: .22

Note: standardized coefficients are shown. Significant paths are in bold. Regional control variables not shown.

Batt & Moynihan 2005
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Fig. 2. Pulling Apart: Wage Growth by Preferred Definition of Low-Wage Work, 1979-2005

Using our preferred definition of low-wage work—defining a low-wage job as one that pays less than 66 percent of the median wage for male workers—low-wage workers saw their wages decline and remain low relative to 1979 until the late 1990s. In 2001, the wages of low-wage workers were 5 percent higher than they were in 1979, but since they have fallen back almost to their 1979 level.

Source: Analysis by Heather Boushey of the CEPR extracts from the Current Population Survey Outgoing Rotation Group Files.
Wage polarization: 1979-2005

Fig. 1. Pulling Apart: Wage Growth by Thirds, 1979 to 2005

Between 1979 and 2006, the wages of workers in the top third of the wage distribution increased by 22 percent. Workers in the bottom third saw only an 8-percent gain.

Source: Analysis by Heather Boushey of the CEPR extracts from the Current Population Survey Outgoing Rotation Group Files