Institutions as Rules and Resources: Explaining Cross-national Divergence in Call Centre Employment Systems[1]

Virginia Doellgast, David Marsden and Katja Sarmiento-Mirwaldt

London School of Economics, London, UK

v.l.doellgast@lse.ac.uk; d.marsden@lse.ac.uk; Katja.Sarmiento-Mirwaldt@brunel.ac.uk

Presenting author: David Marsden (LSE)

DRAFT

Paper for the International Labour and Employment Relations Conference, Cape Town, 7-11 September 2015

1. Introduction

A large body of research on call centres has identified common trends of intensifying performance management, narrowed worker discretion, and declining job quality (e.g. Bain and Taylor 2000; Callaghan and Thompson 2001; Ellis and Taylor 2006; Russell 2009; Sewell et al. 2012). At the same time, comparative research shows surprisingly large cross-national differences in the extent of work intensification and invasive monitoring practices across similar call centre workplaces (Batt et al. 2009; Sorensen and Weinkopf 2009; Lloyd et al. 2010; Doellgast 2012; Holman 2013). These studies have generated (and sought to test) a number of hypotheses concerning different institutions that shape management practices – including participation rights, encompassing collective bargaining, employment protections, and “employment regimes”. However, the mechanisms through which institutional resources or constraints translate into alternative “employment systems” in these easily rationalized service jobs are still poorly understood.

In this article, we compare differences in the employment systems that incumbent telecommunications firms in Denmark, France, Germany, and the UK adopted for their retail call centers in the late 2000s and early 2010s, with a focus on performance management practices. Findings are based on 140 interviews with management, union, and works council representatives at the four case study firms and at national level, as well as site visits at call centres at each company. In this article we summarise the main empirical results whose detail can be found in an extended report available from the authors (Doellgast et al 2015).

Case study findings show systematic differences in the tools and strategies unions and works councils used to influence performance management practices at each firm. We identify two distinct mechanisms or “modes of influence”. The first mode of influence was via rules that closed off alternative management practices. These included strong legislated or negotiated job security (very strong in France and Germany; moderate in the UK) and negotiated rules prohibiting individual performance based pay outside of sales-based outcomes (France and the UK) or remote monitoring of individuals (Germany). A second mode of influence was via participation resources that labour could use to establish procedures that improved the transparency and perceived fairness of performance management practices. These were most evident in Germany and Denmark, where local representatives established joint committees providing regular oversight and appeals processes for monitoring procedures and use of performance management data.

While both modes of influence helped to improve job quality to some extent by limiting managerial unilateralism, we argue that worker outcomes were best where worker representatives were able to draw on both sets of institutional ‘rules’ and ‘resources’. The German case demonstrates the most favourable outcomes in this regard due to the combination of strong job security, legal participation rights, and partnership structures at multiple levels of the firm. As will be seen later, these tools are particularly important for developing negotiated solutions to intensifying organisational demands for performance improvement, and cost cutting. The findings have implications for debates on the relationship between national institutions, human resource management practices, and worker outcomes in easily rationalized service sector jobs. This paper first sets out a framework for considering the influence of workplace institutions on performance management. It then presents a summary of the case study results, showing how institutional resources affect performance management. Then it considers a possible counter-argument that skills rather than institutions are responsible for the observed patterns of performance management, and provides evidence against it from the case studies. The paper concludes with a reflection on institutions, the employment relationship and work outcomes for employees.

2. Conceptual framework: workplace institutions and performance management.

In much of the HR practitioner literature, the term ‘performance management’ has come to be associated narrowly with a combination of performance appraisal, performance related pay, and supporting HR policies. In fact, managing performance is much more generic activity embracing the supply of labour services within the employment relationship: how employers can use the flexibility that framework provides in terms of job tasks and employee effort, and how employees can ensure that the exchange remains fair from their point of view. The employment contract is based on an agreement between two parties, but is embedded within a wider institutional framework that serves to ensure that its terms remain broadly within what both parties have agreed, and would agree to if re-contracting. Commons (1924) captured this idea in relation to the US concept of employment at will in the idea that the employment contract is a ‘continuing implied renewal of contracts at every minute and hour’, depending on its continued benefit to both parties. However, quits and dismissals set only very broad parameters for fair behaviour within the contract and are a relatively costly way of enforcing one’s view of the bargain. This is because of the difficulty of finding alternative jobs and hiring replacement workers, often related to the acquisition of firm-specific skills. Depending on the type of job, these costs can be quite considerable. Thus what has come to be called performance management, and the institutional frameworks within which it operates come to play a critical role in regulating this exchange.

More concretely, performance management is a central part of employment systems, and encompasses the set of practices and policies an organization uses to motivate its employees, including goal-setting, coaching and feedback practices, performance monitoring, and rewards, such as variable pay and promotion. Thus it is a factor in job quality. Broadly speaking, firms can adopt models of performance management that focus on developing employees, motivate them based on encouraging professionalism and use of skills; or adopt more narrowly ‘discipline-based’ practices. Previous research suggests the latter is associated with employee burnout, dissatisfaction, negative health effects – but also more job insecurity (as an important component of ‘job quality’) and income security. Higher job quality where practices are more developmental is often associated with limits on management’s ability to use performance information to ‘punish’ rather than ‘develop/ train’ employees. Where variable pay is more predictable, it does not necessarily result in lower pay when targets are not met. In the broader literature on 'high performance' or high involvement work practices, we would expect developmental performance management practices to work best where they are complemented by investment in skills and work design relying on 'internal flexibility' (multi-skilled workers).

A useful way of thinking about approaches to performance management is in the context of Mintzberg's (1979) theory that the key task of management in organisations is to coordinate activity. The value of the employment contract to the organisation lies in its open-ended nature which is an essential aid to efficient coordination. Mintzberg argues that management may coordinate along two axes: by standardisation versus by mutual adjustment; and by coordinating inputs, assuming direct responsibility for organising work, or by determining outputs, and leaving employees greater discretion as to how they achieve them. These models imply different approaches to performance management. For example, standardisation implies detailed job descriptions and performance standards, whereas mutual adjustment requires flexible job boundaries and adaptable performance. Which of these prevails depends in part on how they interact with workplace institutions, and the degree to which the latter act as resources or as constraints.

Although a great asset for flexible coordination, the open-ended nature of the employment relationship means that its operation always depends upon a degree of goodwill by both parties. That goodwill, as Simon (1951), and later Gibbons (2001) have remarked depends upon use of that flexibility to promote the interests of both parties, and not of one at the expense of the other. The parties can seek to protect their own position either by establishing institutional rules that close off certain options and constrain the other party in some way, but this entails a loss of flexibility. On the other hand, they can use institutional rules and practices act as resources, for example, and facilitate mutual adjustment by providing voice channels for communication and influence. The two modes of operation can be complementary, in that closing off certain options, such as the threat of termination, can reinforce the efficacy of institutions as resources.

Before moving on, it is worth reflecting that restrictive work and performance rules often originate from a lack of power rather than its exercise. They often originate from management decisions and policies that become rigid in their operation because of pressures from employees. For example, Crozier (1963) argued that bureaucratic work rules originating with management can become rigid because employees use them as a protection against what they see as arbitrary management action. Brown (1973) similarly argued that much of the workplace custom and practice he observed arose from management decisions or omissions that were then treated by employees as creating a precedent, which was then enforced on equity grounds. Thus the weaker party may seek to use the rules created by the stronger one in order to limit its scope for action. In the words of both writers, the aim of the weaker party was to limit uncertainty arising from the discretion at the disposal of the more powerful one. Thus, within performance management there is a constant tension between management's need for flexible patterns of performance, and employees' fear that conceding too much flexibility will undermine their ability to sustain the deal they reached in the hiring process.

As will be seen later, restrictions on the nature and sanctions of performance may be the product of weakness and lack of institutional resources, whereas the availability of institutional resources, particularly those supporting voice, can favour greater use of mutual adjustment. There is therefore a link between the type of performance management, and organisational structure on the one hand, and the resources provided by workplace institutions on the other.

We now examine more precisely what we mean by institutions operating as resources and as constraints in relation to how employers define and motivate performance.

a. One category focuses on institutions as '**constraints'**: management adopts different practices because others are 'closed off' or prohibited. For example: strong job security makes it impossible to use the threat of dismissal in order to enforce certain 'discipline-focused' practices to motivate workers. This can encourage high involvement, developmental practices, but on their own constraints are blunt instruments. For example, management can intensify work and replace skills with technology to try to 'sweat' out returns for the extra cost. It also can lead to a search for 'loopholes' in the rules: e.g. attempts to catch and punish workers for certain things they can be dismissed for (attendance, etc.). [e.g Marsden and Belfield 2010].

b. A second category is institutions as '**resources'**: this tends to focus more on how labour cooperation provides a resource for employers – for example, helping them to invest in skills and participation; giving them feedback from 'the front line' on what works or not, encouraging labor cooperation in improving processes. This is reflected in the literature on 'voice vs. exit' – role of worker voice in identifying problems and best practices. However, here the focus on employer benefits often neglects/underplays the importance of labour power. Employers are likely to realize benefits from these 'resources' more in core, high skilled workplaces (see dualism debates). Under what conditions will worker voice help to both improve job quality and help management implement 'best practice' performance management practices?

c. We argue for a framework that incorporates both: performance management most likely to approach 'high involvement', developmental model where management is both constrained from taking the low road and where labour is able to participate substantively in shaping practices. This builds on Streeck's notion of 'beneficial constraints' – but gives more emphasis on importance of countervailing labour power in establishing procedures broadly viewed as legitimate (rather than just investment in skills as 'redundant resources').

These factors are particularly important where a 'low road' model[2] is easily available, as in the case of call centres. We show how they operate in the more transactional, easily rationalized setting of call centres. Previous research has shown that these workplaces are subject to performance management based on pervasive monitoring, Taylorization, narrow performance incentives. We show that an alternative 'high road' can be pursued – and both labor participation and constraints on unilateral management choice plays a central role in getting to this.

3. An overview of the case study organisations

Call centres were selected for this comparative study because they use a broadly similar technology and set of employee skills, and being a relatively new sector of activity, they are less likely to be affected by long historical organisational traditions. They are a ‘greenfield’ activity, and so compared with many other sectors, the employers have had a relatively free hand in determining organisational policies. The major constraint is that being in the telecoms sector, a number of their employees have been with them since before the liberalisation of the telecoms market and the privatisation of the firms. However, the sample includes both in-house centres and centres to which work was put out, and where employees had a different career history.

Call centres were chosen because the employees are relatively easily recruited from the labour market, and although they may acquire firm-specific skills during their employment, many of their skills are generic, based on general education. Thus the broad similarity of their skills, and the shared experience of a radical change in the competitive environment means that it is a good sector in which to compare the effects of differences in workplace institutions on the types performance management used in these firms.

The findings are based on case studies conducted in incumbent telecommunications firms based in different European countries. These included **TDC** (Denmark), **Deutsche Telekom** (Germany), **France Telecom/ Orange** (France), and **BT** (UK). In each of these cases, we conducted 20-50 interviews with management and employee representatives, as well as site visits involving interviews with local management, employee representatives, and supervisors at call centre workplaces. Interviews focused on the recent evolution of work organization and skills, performance management, and working time or scheduling arrangements – allowing us to analyse key differences in the overall approach to organizing similar jobs and motivating employees within these jobs.

In summary

Denmark TDC: 13 call centres; 27 total

France FT/Orange: 27 call centres; 40 total

Germany DT: 16 call centres; 26 total

UK BT: XX call centres; 25 total

Workplace institutions in the four organisations

The British, BT, case is characterised by moderate rules and weak resources. It has strong union involvement in and influence over the performance management system. Collective agreements built in some predictability into coaching, feedback, and 'progressive discipline' – ensuring that this was carried out in a standardized way that gave employees opportunities to improve through intensive coaching. In addition, performance based incentives were limited to sales roles, where 'performance' was easily measured, and were aggregated at the team level. However, these 'rules' or constraints were relatively blunt instruments in influencing the actual design of the performance management system – which had become more punitive over time, for example by use of forced distributions of performance ratings with potential sanctions for those at the bottom. There was quite a lot of measurement and individual-based control focused on performance. In addition: labour relations concerning implementation of these rules was relatively conflictual (in an organization characterized overall by strong 'labour management partnership), with performance management at the centre of this conflict.

The France Telecom case is characterised by strong rules and weak resources. There is considerable union involvement in performance management. However, to a large extent, the strong rules derived from the public service status that had prevailed at France Telecom in the days of state ownership. These concern especially pay grade and progression, and job security. At that time, pay had been regulated by national incremental pay scales which specified the time and conditions for pay progression in detail. An important part of this related also to a high degree of employment protection. Management could not use the dismissal threat to pressurise employees into making concessions over performance. However, employees recruited after privatisation as private law employees did not benefit from these conditions, and management had a much freer reign.

The Danish TDC case is characterised by strong resources and weak rules. Both works councils and shop steward committees were involved in overseeing performance management, but unlike at France Telecom, there were fewer restrictions on the use of dismissals, which were used, in conjunction with coaching, to reduce absenteeism. The management also put a strong emphasis on team-building and on weekly performance meetings led by team-leaders, thus building up voice channels as a part of performance management.

The German Deutsche Telekom case involved strong rules and strong resources. Both works councils and related committees played an important part in negotiating and adapting performance management principles and operation. After 2012, this role diminished somewhat under the new agreement, but compared with the other cases, its influence remained strong. Works councils also have considerable powers to regulate management's use of dismissals, although other studies have shown that often councils and management share a common concern about the health of the business when dealing with such issues (Sadowski et al. 1995). In sum: the set of performance management practices adopted at

Deutsche Telekom were contested and changed substantially over time as the direct result of collective negotiations. These negotiations placed clear constraints on management, but also could serve as resources for gaining agreement on potentially controversial measures. The result was: of all the company case studies, a set of practices that sought some balance between management demands for, e.g., more tightly linking pay with performance, with some degree of worker control over those practices. Although works councils had lost power to introduce constraints declined over time, more recently, they have been seeking to re-build that power through creative compromises under more challenging conditions.

In summary, the four cases can be seen in Table 1.

Table 1 Presentation of four models of performance management in relation to the nature of institutional constraints and resources

	Institutions as resources: Adaptive performance procedures (coordination by mutual adjustment)	
Institutions as constraints: Predetermined performance rules (coordination by standardisation)	Weak	Strong
Weak	BT	TDC
Strong	FT	DT

4. Comparison of the cases: Institutions as constraints and resources

First, we describe institutions in the four cases. This shows differences in the extent to which there were institutional ‘constraints’ in the form of job security and union rules; as well as ‘resources’ in the form of strong labour involvement in the design of practices.

One set of constraints were job security arrangements. At DT and FT, it was more difficult to dismiss employees for poor performance, due to stronger national employment protection legislation, as well as collective agreements and works council oversight (DT) or a high proportion of civil servants (moderate at DT; very high at FT). TDC and BT had company-level job security arrangements, but it was much easier to dismiss workers -- particularly on the basis of performance, which was prohibited in the DT and FT cases.

A second set of constraints were union rules concerning use of performance data and which groups of employees could have variable pay. BT and FT both encountered long-standing union resistance to performance-related pay outside of sales roles, while rules concerning use of performance data were strongest at DT, where the works councils had prohibited monitoring of individual performance in the past. Although they agreed to some changes in these rules, they continued to place strict limits on use of data to ‘discipline’ rather than ‘develop’ employees. FT and BT had a somewhat weaker version of this: union representatives monitored how data was used [At BT, progressive discipline only possible if management had proven that they had invested in training, etc.]

Institutions also could serve as ‘resources’. In all of the cases, collective agreements providing job security and introducing procedures for disciplining workers could be seen as helping to invest in the ‘resource’ of worker skills. However, for management to make use of these skills, it was necessary to have some degree of worker consent or cooperation. Where worker representatives were involved in the design of practices and oversaw their implementation, this helped to improve the perceived legitimacy of these practices – while introducing predictability, and establishing procedures viewed as fair (procedural legitimacy?).

The two cases that showed the strongest cooperative labor involvement were, not surprisingly, the Danish and German companies: TDC and DT. Both countries are known for having a tradition of ‘social partnership’ and labor-management cooperation over work redesign. This has been linked in the literature to stronger adoption of participatory work practices (cite). [However, basis for cooperation differs: strong legal participation rights in German case – while in Denmark workplace-level participation is based more on voluntary cooperation, dependent on union strength] Case studies show that this made a difference for the degree of substantive worker input into the design of performance management, and development of ‘alternative’ sets of high involvement practices.

These constraints and resources shaped the performance management systems -- both directly and indirectly. We summarize findings from each based on the combination of institutional resources and constraints.

Variable payThe above comparison illustrates different patterns of outcomes across superficially similar workplaces. These are all call centre jobs serving a similar ‘consumer’ market segment, in similar large, incumbent telecommunications firms. The case studies also show a similar trend toward increased centralization and standardization of performance management practices across the call centres. Employees were expected to meet targets in similar areas, including call handling time, ‘compliance’ with schedules, customer service, and sales; and performance was evaluated using a combination of individual- and team-based metrics, remote monitoring, and side-by-side listening with coaches.

The main differences we observed were in two areas. First, they differed in the extent to which performance information was used to ‘discipline’ or ‘develop’ employees. At BT and TDC, employees who failed to meet performance metrics could go through a disciplinary procedure that led to dismissal. In both companies, unions sought to ensure that the rules governing the process were fair and transparent, with opportunities for employees to get training and support to help them improve their performance. However, the presence of this potential threat of dismissal was an important tool used to motivate employees to improve in target areas.

At DT and FT, union rules and job security agreements ‘closed off’ the option for management to adopt a system of progressive discipline. In addition, at DT, works agreements had long prohibited recording individual performance data, requiring that this information be aggregated to the team level. This clear ‘constraint’, in turn, gave management incentives to use other tools to motivate employees. At DT, these included intensive developmental coaching and training, investments in improving employee health, and an intricate system of performance-based incentives. At FT, employees received regular performance evaluations, and the results were used to determine salary increases or promotions.

Second, the case studies adopted different models for variable pay. BT and FT both had a model of variable pay that was primarily based on individual, sales-based commissions on top of base pay. Thus, both only had variable pay for employees involved in sales. This was due in large part to long-standing union resistance at both companies to performance-related pay: sales commissions were viewed as more acceptable, as they were easy to measure and provided employees the possibility of earning substantially above their base pay.

In contrast, TDC and DT had variable pay for all call centre employees, which was based on meeting different goals or targets. At TDC, the largest component of variable pay for most groups in the call centres (particularly sales and service) was individual-based sales commission. However, the union had successfully argued for aggregating other performance metrics at the team level, which were tied to a team-based bonus. DT also had a mix of individual- and team-based goals. It was the only case where fulfilment of targets was a requirement for receiving 100% base pay (thus, some proportion of pay was ‘at risk’). However, employee representatives had sought to build in various protections to this model over time, with the amount and terms of ‘pay at risk’ had been an important issue in collective bargaining. As described above, a collective agreement in 2012 altered this model to reduce ‘risk’ and build in more predictability in pay.

It is striking that in both TDC and DT, unions cooperated with the introduction of a more developed system of variable pay, while putting in place mechanisms that allowed employees to appeal the process and outcomes of this system. [Thus: because unions helped to co-design the system, and established oversight, were more willing to cooperate – helped to improve perceptions of fairness associated with this model]

Table 2 summarizes the differences in variable pay systems described above.

Table 2 Variable pay in call centres

	% variable pay	Form	Performance-based pay structure	Union/ works council involvement
TDC 1) Consumer 2) Call Center Europe	1) 8-10% 2) 7.5 -12%	Above base pay	1) Individual (60%); team (40%) 2) Individual (63-77%); team (23-37%)	Joint committees met monthly to discuss variable pay
Deutsche Telekom DT Kundenservice	20-30%	Included in base pay	Individual/team (2/3) + company goals (1/3) = 20% Sales: Individual/team = 30%	Collective agreements with protections; Joint committees reviewed appeals on targets
France Telecom 1) AVSC unit (fixed & internet) 2) CCOR unit (mobile)	10-15% sales only	Above base pay	Sales (individual) X service quality (individual) X number of calls/hour (team)	Union opposition meant variable pay allowed for sales only
BT BT Retail	35% sales only	Above base pay	Exclusively based on individual sales	Union opposition meant variable pay allowed for sales only

We argue that these differences were related to distinctive patterns of institutional constraints and resources. BT and FT only had variable pay for sales employees due in large part to long-standing union resistance to performance-related pay: sales commissions were viewed as more acceptable, as they were easy to measure and provided employees the possibility of earning substantially above their base pay.

Constraints, resources and performance management

A notable feature of the results is that in the organisations in which management power might appear greatest, and where joint institutions have less influence, it has made least progress in linking pay to performance. In the light of incentive theory (eg Lazear, 1998), one might have considered that the degree of performance monitoring that can be undertaken in call centres would facilitate use of performance pay. Yet in both of these cases, performance pay was limited to sales staff. In contrast, the systems, which on the surface give greatest scope to management discretion over employee pay, were more widely accepted in the cases where institutions provide resources to both parties. As Freeman and Medoff argue, voice institutions have two faces that necessarily go together: information sharing and power. Thus, one might have expected that the same resources that give effective employee voice could also give the power to block use of performance pay based on management discretion.

We argue that BT and FT/Orange could reach agreements on performance pay for sales staff because in this activity there are relatively objective criteria that employees can evaluate, and which are to a greater degree independent of management judgement than in other areas of work. Reflecting back to Crozier's and Brown's work discussed earlier, in sales, not only does management have less unilateral control over the measurement of performance, but the measure itself is to a greater degree in the control of employees. This has been a longstanding feature of piece-work, and a factor in its popularity with workers provided there is some control over the piece rates that are set as Schloss (1898) noted in his classic study of methods of industrial remuneration. Thus, where institutional resources are relatively weak, employees can ensure a greater degree of fairness in the operation of the employment contract by agreeing a wage that is closely tied to an objective measure of performance. Control over the piece rate prevents management from reducing piece rates in order to force up the pace of work.

In contrast, in the two cases where institutions provide resources to employees, it has been possible to take performance pay into additional areas of work. The reason reflects the argument of the previous paragraph. Participatory mechanisms that can be used to regulate the operation of performance management make it easier for employees to engage in the more flexible process of mutual adjustment with management. The voice channels make it easier for both parties to exchange information, and by doing so on a regular basis, they are better able to assess whether the other party is acting in good faith, seeking adjustments that will benefit both, or whether they are doing so opportunistically. As these institutions commonly deal with many related issues, even if they are precluded from threats of industrial action, by a peace obligation, they can use the threat of reduced cooperation on other related issues as a possible sanction. This is analogous to Aoki's (2001) argument that cooperative outcomes are easier to achieve in what he calls 'linked games'. In other words, even though management may have greater control over the uncertainty employees face in performance pay based substantially on managerial judgements, joint institutions can help to ensure that these are operated fairly and in a way that reflects both parties' views of their mutual obligations. At the same time, as both co-workers and managers are affected by free-riding, both have an interest in ensuring an even sharing of workloads among employees, hence the use also of team incentives in the second two cases (TDC and DT).

5. What about skills and work design?

One objection to a focus on collective bargaining and its effects on the employment system [via voice/predictability/legitimacy] is that management may have other resources: in particular, skills may differ because of distinctive training systems, tenure, etc. Related to this is that a set of 'high involvement' practices may be more complementary to work design that is complex. Following Streeck and others, we might expect fewer specializations in the German case – so more broadly designed jobs that make use of employee skills complement a set of performance management practices that develop rather than discipline employees.

However: a comparison of work organization, training, and tenure of employees shows no clear pattern matching these expectations. Table 3 below shows that initial training was roughly similar; while the workforce was experienced, with high tenure in all cases (though with higher turnover at TDC and BT).

The companies did make different choices regarding work design. Call centre employees can be ‘multi-skilled’, trained to handle a range of call types; or more narrowly focused on one kind of calls – for example, billing and collections, outbound sales, or customer service. In addition, employees may handle calls from all customers or be organized into separate teams serving groups of customers based on their ‘value added’ – for example, small business customers or residential customers purchasing a high value bundle of products and services with higher margins.

TDC was distinctive in not having specialized teams dedicated to higher ‘value-added’ customers, and having predominantly mixed teams responsible for mobile and fixed line products and services. At TDC, employees within each group built up skill sets over time – for example, in technical support they started with two skill sets; then every month or two got trained on additional skills until they developed a complete skill set. However, the assumption was that over time employees within each group would be able to handle all calls. BT had some segmentation by customer type (SME vs. residential). However, there had been a shift over time toward recruiting and training employees into multi-skilled positions, where they were expected to handle a range of call types within each segment.

Deutsche Telekom and France Telecom had more complex structures for organizing specializations in their call centres. At DT, employees were divided into seven segments: sales and customer retention (new or leaving customers), small business, residential service ‘gold’ (lower value), residential service ‘platinum’ (higher value), home list, technical service, and mobile service. There were also different teams of generalists and specialists. ‘Generalists’ were ranked according to their skills and abilities (as identified, e.g., by team leaders and sales statistics), and calls were routed to top ranked employees first. At FT, employees were organized in two ‘levels’, with multiple specializations within each. Level 1 received 80% of the calls, and included a matrix of three employee groups (sales and termination, customer service and account management, billings and collections) with a further three customer segments: gold (high value), standard (low value), and new customers. Level 2 received the remaining 20% of calls, and included five groups handling complicated collections, customer retention, technical assistance, after-sales service, and e-delivery tracking. These two levels were closely integrated, with distinct ‘flows’ for collections, sales, and service.

Thus: TDC and BT had the most ‘multi-skilled’ approach to work organization. The other companies had developed different strategies to differentiate between customer groups and call types, often adopting mixed models or experiments to merge different areas of work or cross-sell products across groups. In interviews, managers and employee representatives at most companies described change over time both toward and away from a model of work organization relying on more broadly skilled employees. For example, at DT, management had moved back and forth between a model where 'everyone can do everything' – starting in 2000, when they had first put in place multi-skilling (see Doellgast 2012); then changing back to more specialization within teams; and by 2013 experimenting with more multi-skilling again -- creating teams of generalists (*Generalisten*) at some locations – which were differentiated from the specialists (*Spezialisten*).

Table 3. Work organization and training for call centres (residential market)

	Call centre specializations	Initial training	Turnover and tenure	Absenteeism
TDC 1) Consumer 2) Call Center Europe (subsidiary)	- sales & service, technical support, billing, *outbound sales* (1 only) - mixed mobile & fixed line teams - no specialization by customer group	1) 5-6 weeks 2) 4-5 weeks	1) N/A 2) 6% quits; 74% > 3 yrs tenure	1) 3.5-4% 2) 6%
Deutsche Telekom DT Kundenservice	new sales & customer retention; small business; residential service 'gold' (low value); residential service 'platinum' (high value); home list; technical support; mobile service	Apprenticeship 2 years; 6 weeks initial training	15% quits; av. tenure > 20 yrs	8-10%
France Telecom AVSC unit (fixed & internet) and CCOR unit (mobile)	- **Level 1** (80% calls): sales & termination, customer service & account management, billings & collections – 3 customer segments: gold (high value), standard (low value), and new customers. - **Level 2** (20% calls): complicated collections, customer retention, technical assistance, after-sales service, e-delivery tracking - 20% employees 'multi-skilled' to handle 2+ call type - separate mobile & fixed line/ internet centres; 3 mixed centres handle both	- 6 weeks if customer service background - 12 weeks if changing jobs within France Telecom	2% retirement, marginal quits	6-10%
BT BT Retail	Technical support and complaints, residential sales and service, SME sales and service, billing and collections	4-6 weeks	10-50%; av. tenure 15-20 yrs	4-5%

This shows that skill and job complexity are not a central explanation for different models – more 'multi-skilled' jobs where tenure was lower were to be found at TDC and BT; and all companies moved back and forth between dividing tasks and multi-skilling. This perhaps has implications for overall success of 'constraints' in turning to 'beneficial constraints' – if we assume a complementarity between work design, skills, tenure, and performance management systems. However, it does show that the constraints come first and are to some extent independent of what management does on the work design front.

6. Conclusions

This study has explored the effects of different combinations of institutions as constraints and as resources on the development of performance management systems across a sector in which the technical and skill demands are relatively homogeneous across countries. It finds that when institutions function primarily by setting rules, these will often constrain management, for example, limiting performance pay to activities where employee outputs are relatively easily quantified, as in sales, and blocking it from activities where performance is more ambiguous and requires greater reliance subjective or judgemental assessments by management. Lacking other forms of control, we draw on the work of Crozier and Brown cited earlier to hypothesise that employees fear that the uncertainty about performance judgements will be exploited by management to their own disadvantage. In contrast, when employees can exercise greater voice and control over how performance is evaluated and rewarded, they are more confident that management will act in good faith, and so will find such practices more acceptable.

There are notable limitations on this study. Many of the employees were formerly covered by public sector arrangements, and so even though call centres may be new, the organisations have a certain legacy of employment practices – in this study that they all share to varying degrees. Even though in depth interviews were used with a cross-section of stakeholders the number of organisations remains small.

Nevertheless, there are some broader implications of our study. These relate to the importance of encouraging employee voice (creating conditions for success of 'high road' work and management practices) while maintaining constraints (closing off practices associated with 'low road'). This is beneficial both for gaining the fullest advantages of the flexibility of the employment relationship and for employees' job quality. In Britain in the 1960s, Allan Flanders argued that management had to be prepared to share control if it wanted to regain it. The paradoxical nature of his statement reflects the fact that the employment contract is not just open-ended but it is also a joint framework for regulating the supply of labour services in the interest of both parties. When he spoke of 'regaining control' he did not mean a reassertion of unilateral management decision-making. In the long run, this would merely stimulate a defensive reaction on the part of employees to protect themselves against one-sided management action, and lock both sides into a set of restrictive workplace rules. The counterpart to the forced distribution of performance ratings tried at BT, with a potential dismissal of employees with the lowest ratings, designed no doubt to force line-managers to differentiate performance ratings, was employee resistance to the spread of linking pay to performance. On the other hand, shared control through joint committees and works councils made linking pay to subjective, judgemental performance measures by management more acceptable. Thus, if employees cannot control potential management abuse of appraisals, their best strategy is to push for restrictive rules. If they have joint workplace institutions that protect against such action, the best strategy is to go for flexibility as this will improve their economic outlook as well make for more interesting jobs.

7. References (to be completed)

Appelbaum, E., Bailey, T., Berg, P. and Kalleberg, A. L. (2000). *Manufacturing Advantage: Why High Performance Work Systems Pay Off*. Ithaca, NY: Cornell University Press.

Bain and Taylor 2000;

Batt, R,, Holman, D. and Holtgrewe, U. (2009). 'The globalization of service work: comparative international evidence from call centers'. *Industrial and Labor Relations Review*, 62 (4): 453–88.Brown (1973)

Callaghan and Thompson 2001;

Commons (1924) The Legal Foundations of Capitalism, Macmillan, New York.

Crozier (1963) Le Phénomène Bureaucratique, Seuil, Paris.

Doellgast (2010); Collective Voice under Decentralized Bargaining: A Comparative Study of Work Reorganization in US and German Call Centres. British Journal of Industrial Relations, 48: 2, June, pp. 375-399.

Doellgast et al 2015

Ellis and Taylor 2006;

Flanders, Alan (1970) Management and unions: the theory and reform of industrial relations. Faber, London.

Gibbons, Robert, and Henderson, Rebecca (2012) Relational Contracts and Organizational Capabilities. Organization Science, 5: 23, Sept-Oct., pp. 1350-1364.

Holman 2013

Lloyd et al. 2010;

Marsden, D, and Belfield R. (2010) Institutions and the management of human resources: incentive pay systems in France and Great Britain. British Journal of Industrial Relations, 48: 2, June, pp. 235-283.

Mintzberg's (1979) The structuring of organisations. Prentice-Hall, Englewood Cliffs, N.J.

Russell 2009;

Sadowski D, Backes-Gellner U, and Frick B. (1995) Works councils: barriers or boosts for the competitiveness of German firms? British Journal of Industrial Relations, 33:3, September, pp. 493-513.

Schloss, David F. (1898) Methods of Industrial Remuneration, 3rd edn. Williams and Northgate, London.

Sewell et al. 2012

Simon, Herbert (1951) A formal theory of the employment relationship. Econometrica 19:3, July, pp. 293-305.

Sorensen and Weinkopf 2009;

Streeck, Wolfgang (2004) Educating capitalists: a rejoinder to Wright and Tsakalotos. Socio-Economic Review, 2: 3, pp. 425-438.

---

[1] This research was funded by the Economic and Social Research Council, grant number RES-061-25-0444. The authors wish to thank also the large number of people who gave up their time to be interviewed and to provide the information on which it is based.

[2] The concepts of ‘low’ and ‘high’ road are widely used to designate two alternative strategies of employment relations: one based on strong managerial control and the use of sanctions to drive performance, and the other based on more participatory management, and the use of a wider range of motivational and engagement policies. See for example Appelbaum et al (2000).