Contesting firm boundaries: Institutions, cost structures and the politics of externalization

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Abstract:

This article develops and applies a new framework for analyzing the relationship between institutions, cost structures, and patterns of labor-management contestation over organizational boundaries. Collective negotiations related to the externalization of call center jobs are compared across ten incumbent telecommunications firms located in Europe and the USA. All ten firms moved call center work to dedicated subsidiaries, temporary agencies, and domestic and offshore subcontractors. However, a subset of the firms later re-internalized call center jobs, in some cases following negotiated concessions on pay and conditions for internal workers. We argue that variation in outcomes can be explained by both the extent of cost differentials between internal and external labor and the ease of exiting internal employment relationships, which in turn affected patterns of contestation associated with externalization measures. Findings are based on 147 interviews with management and union representatives, archival data on restructuring measures and associated collective agreements, and wage data gathered through collective agreements and surveys.

Keywords: organizational boundaries, telecommunications, outsourcing, inequality, comparative employment relations

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The standard, internal employment relationship has long been in decline across advanced economies, as firms externalize a range of jobs once performed in-house to subcontractors, temporary agencies, and subsidiaries.[1] Firm strategies to shift work across organizational boundaries in this way have been linked to the deterioration of pay and working conditions and the weakening power and coverage of collective bargaining institutions (Lillie 2012; Holst 2014).

A central concern in employment relations research has been to analyze how labor market and collective bargaining institutions influence these boundary decisions. Past studies can broadly be grouped into two research streams. First, scholars have analyzed the relationship between different combinations of institutional arrangements and particular externalization strategies, such as contingent employment contracts (e.g. Houseman and Ōsawa 2003; Olsen and Kalleberg 2004; Liu 2015) or subcontracting arrangements (e.g. Grimshaw and Miozzo 2006; Doellgast, Batt, and Sørensen 2009). A second body of research has asked how labor unions and other worker representatives influence boundary decisions through strategies ranging from "cross-class coalitions" with core employers (Hassel 2014), concession bargaining in exchange for job guarantees (Flecker and Meil 2010), or campaigns to organize and extend institutional protections to externalized groups of workers (MacKenzie 2009; Greer and Hauptmeier 2012).

These two research streams focus on different mechanisms connecting institutional environments to the boundary strategies of firms. The first examines how institutions at national and company level affect cost structures associated with externalizing work; while the second asks how and why worker representatives develop alternative strategies toward externalization decisions, and then access different power resources to exert influence over these decisions. In this paper, we incorporate both of these mechanisms into a framework for analyzing the relationship between institutions, cost structures, and the political dynamics associated with labor-management negotiations over organizational boundaries. We focus on two principal dimensions of cost structures that differ across institutional settings: the cost differential between internal and external labor and the ease of exiting internal employment relationships. Different combinations of these two factors are hypothesized to affect patterns of contestation between employers and worker representatives over externalization decisions.

[1] Vidal (2011: 284) defines externalization as a "reversal of the general tendency of Fordism to internalize processes and employment." We use the term here to refer to the process of moving work across organizational boundaries, from internal workplaces or employers to workplaces or employers that have contract-based relationships with these firms.

We demonstrate the usefulness of this framework in explaining differences in how worker representatives respond to changing boundary strategies for call center jobs, based on findings from a ten country comparative study of incumbent telecommunications firms. We show that unions and works councils placed the highest strategic priority on opposing or reversing externalization in those cases characterized by both large differences in labor costs between internal and external labor and high ease of exiting internal employment. This often resulted in significant internal concessions aimed at reducing the labor cost advantage of externalized worker groups, in response to employer benchmarking of costs and exit threats. However, past cost structures did not fully determine outcomes, as unions across the cases also sought to expand legislated and negotiated protections for these externalized worker groups. When successful, these strategies showed the best outcomes in terms of both limiting the expansion of poorly regulated, low-paid jobs and preserving pay and conditions for internal workers.

Explaining patterns of contestation over organizational boundary decisions

In this section, we develop a framework for analyzing how cost structures associated with externalizing work influence patterns of contestation between labor and management over boundary decisions. This is illustrated in Figure 1.

The two axes in Figure 1 capture cost-based factors associated with boundary decisions. In the management strategy literature, the relative costs of externalizing particular tasks or jobs compared to performing them in-house are typically argued to be rooted either in transactions costs (Williamson 1985) or the extent to which externalization strategies complement distinctive firm resources or “capabilities” (Argyres 1996; Lepak and Snell 1999). Where institutions are included in these “efficiency-based” theoretical models, they are primarily theorized to affect boundaries via their influence on governance costs (Williamson 1985) or the broader competitive strategies of firms (Hall and Soskice 2001). In contrast, the employment relations research that we review below has shown that direct or production costs associated with alternative externalization measures can be influenced by labor market and collective bargaining institutions at national, industry, and company levels. We analyze two dimensions of these costs: labor cost differences between internal and external jobs and the costs associated with exiting internal employment relationships.

The vertical axis of Figure 1 represents the size of the gap in labor costs between similar internal and external jobs. Past research suggests that several characteristics of institutional settings can affect this labor cost differential. First, the strength and scope of collective bargaining arrangements can change the wage premium enjoyed by internal workers in core firms or sectors (Batt and Nohara 2009); as well as possibilities to by-pass collective agreements using different categories of externalized work (Shire, Schönauer, Valverde, and Mottweiler 2009). Second, national legislation provides varying degrees of protection for workers on standard and non-standard contracts, including equal pay rules or job security provisions (Arrowsmith 2009). A further consideration is the extent to which subcontractors are able to evade compliance with labor laws. For example, research on contract-based organizational forms in the US (Weil 2014) and subcontractors using posted workers in Europe (Wagner 2014) has shown that these employers gain competitive advantage by systematically violating minimum wage and hours standards.

The horizontal axis of Figure 1 represents variation in the ease with which employers can exit internal employment relationships. Institutions can influence this ease of exit via their effects on restructuring or switching costs. These costs are higher where there are legislated or negotiated job security arrangements or negotiated obstacles to substituting internal with external labor. These include, for example, employment protection legislation, transfer of undertakings legislation, worker consultation and co-determination rights (Grimshaw and Miozzo 2006), and collective bargaining agreements (Shire, Schönauer, Valverde, and Mottweiler 2009), including negotiated limits on the extent and form of outsourcing (Katz, Batt, and Keefe 2002) or agency work (Benassi 2013). Ease of exit can also be affected by the degree of employer dependence on the skills or commitment of internal workers (Doerflinger and Pulignano 2015). While we might expect this dependence to differ most significantly across job categories, institutions may also affect skills for similar occupations via, e.g. collective negotiations over work design and training investments (Lam 2002).

[Insert Figure 1 about here]

This literature helps to theorize two dimensions along which direct or production costs associated with the externalization of similar jobs or tasks can be expected to differ across institutional

settings. However, as in the transactions cost literature, the focus of this research has been on analyzing the factors that change employers' short-term "efficiency" considerations. Broadly, management is assumed to respond to institutions because of their effects on cost-based incentives associated with alternative boundary strategies. In contrast, we analyze the way in which different combinations of these (institutionally embedded) cost factors affect patterns of contestation between labor and management over boundary decisions. The "power and control" approach to the study of boundaries in the management strategy literature provides a good starting point for theorizing these relationships. Santos and Eisenhardt (2005: 495) argue that organizations often adopt boundaries that may not appear efficient in the short term, but that have long-term benefits in allowing them to maximize "strategic control over external forces" such as regulators, suppliers, or other market actors. They draw predominately on resource dependence theory, which views organizations as seeking power and control in markets through attempts to reduce uncertainty inherent in relationships with other organizations (Pfeffer and Salancik 1978).

This literature typically focuses on firms′ relations of dependence with external groups or interests, based on the assumption that organizations are unitary actors (Bidwell 2012: 1622). In contrast, we include both employers and worker representatives as major stakeholder groups within organizations, who experience relations of power vis-a-vis, and of dependence on, one another. Each group has distinctive interests in the longer term effects of boundary decisions on employment terms and conditions, both within an organization and across internal and externalized groups of workers. We apply this broader conception of inter- and intra-organizational power dynamics to analyze the relationship between cost structures and labor-management negotiations over organizational boundaries.

We hypothesize that the intersection of labor cost differences and ease of exit will be associated with four different patterns of contestation over the externalization of jobs (see Figure 1). First, where cost differences are large between similar groups of internal and external workers and where the ease of exiting internal employment is high or expanding, there should be a high degree of contestation over boundary decisions (Quadrant II). Under these conditions, firms have large cost-based incentives to externalize work, while workers cannot rely on negotiated or legal constraints on exit to block externalization measures. To this end, management may simply seek to externalize all jobs. However, this is not always desirable, particularly in areas that can be strategically

important or in which it is difficult to ensure compliance with quality standards, such as customer service.

Thus, another way in which management may seek to reduce costs is to try to get concessions on wages and working conditions from the internal workforce by benchmarking their pay and conditions against those of the external workforce. This kind of competitive benchmarking, linked to threats to internal jobs, has been observed in a range of contexts, across the international subsidiaries of MNCs (Marginson and Sisson 1996, Pulignano and Keune 2015) and between internal and subcontracted worker groups (Flecker, Haidinger, and Schönauer 2013). We posit that employers are most likely to use this strategy under conditions of high cost difference and high ease of exit. Using the language of labor market segmentation theory, externalization can more easily be used as a form of countervailing power against labor unions or "internalized worker norms governing the wage-effort relationship" (Grimshaw and Rubery 2005: 1035). Described in terms of resource dependence theories, employers may manipulate organizational boundaries with the aim of reducing dependence on core workers and their representatives and/or enhancing their power to align internal pay and conditions more closely with external markets (Santos and Eisenhardt 2005).

Worker representatives also have an interest in maintaining or extending their power to determine wages and conditions of employment. They are most likely to view this power as being under direct and immediate threat where firms can easily exit internal employment relationships and where there are large cost advantages associated with doing so. This would lead labor to contest externalization. However, this could take different forms, including agreeing to internal concessions that bring internal pay or conditions closer to external market levels, partnering with management to improve the performance of internal workers, or organizing externalized groups to close the internal/external cost differential via raising the market wage. These strategies are not mutually exclusive. Research on the German metal sector has shown that the union alternated between all three of these strategies, following labor market reforms that deregulated the use of agency work and minijobs (thus decreasing their costs) (Hassel 2014; Benassi and Dorigatti 2014; Eichhorst 2015).

In contrast, where cost differences between internal and external groups are low and exit is restricted, employers will typically have weaker incentives and fewer opportunities to seek changes in internal cost structures via benchmarking or demands for concessions (Quadrant III). When there are signficant constraints on exit, internal workers and their representatives may share management's interest in maintaining or expanding market-based contracting arrangements –

particularly when this provides additional flexibility. High employer dependence on internal workers has been argued to contribute to "insider/outsider" dynamics, whereby unions representing core workers agree to externalization to protect their members from insecurity associated with unstable markets (Doeringer and Piore 1971; Lautsch 2002). At the same time, we would not necessarily expect these dynamics where cost differences between internal and external groups of workers are also low, as this outcome is typically achieved via encompassing collective bargaining and labor market institutions (Bosch, Mayhew and Gautié 2010). Under these conditions, unions are less likely to view externalization as undermining their broader solidaristic or equity-based goals. Thus, where there are both constraints on exit and a low labor cost differential, externalization should be associated with low contestation – particularly when worker representatives are able to represent externalized groups of workers via collective bargaining. For example, Grimshaw et al. (2015: 10) found that union resistance to externalization in the Swedish public sector was low because collective agreements harmonized the pay differences between the private and the public sector.

There may also be situations in which there are large cost differences between internal and external labor, but exit options may be restricted – for example, via strong job security arrangements for the internal workforce or low availability of appropriate subcontractors (Quadrant I). Alternatively, employers may be able to easily exit internal employment, but enjoy limited cost advantages of doing so due to either already low labor costs for the internal workforce or encompassing institutions that establish similar pay and conditions across externalized jobs (Quadrant IV). In both cases, we might expect conditions of moderate conflict, as employers face constraints on using benchmarking of costs to gain concessions, but also have either cost-based incentives or exit-based capacity for externalizing work. Worker representatives, in turn, should adopt a range of strategies aimed at either sustaining or further strengthening restrictions on exit, improving the productivity of the internal workforce, or organizing external groups.

This framework provides a novel means of theorizing the mechanisms linking institutions, cost structures associated with externalization decisions, and patterns of contestation between labor and management over these decisions. Past research has looked at these different factors in isolation. The original contribution of our analysis is to show the ways in which they are related to one another. This allows us to develop a more complete and dynamic model that can be used to explain varying outcomes at the organizational level in different political economies. In the case studies

below, we demonstrate the value of this framework in analyzing different patterns of contestation over the restructuring of telecommunications call center jobs.

Case studies and methods

The findings in this paper are based on a comparison of ten incumbent telecommunications firms: TDC in Denmark, TeliaSonera (TS) in Sweden, Deutsche Telekom (DT) in Germany, A1 in Austria, France Telecom (FT) in France, Telecom Italia (TI) in Italy, BT in the UK, AT&T in the USA, Orange Polska (OP) in Poland, and O2 Telefónica Czech Republic (O2CR) in the Czech Republic. These cases represent very similar organizations undergoing parallel changes in markets and ownership structures, but they are located in countries with distinctive labor market and collective bargaining institutions. Table 1 presents background information on each company.

[Table 1 about here]

Table 1 shows that, despite some differences, the cases have experienced broadly similar changes in markets and ownership, characterized by intensified competition, declining market share, as well as growing pressure from private investors to increase profits and maximize "shareholder value." This has encouraged firms to downsize employment; adopt multi-divisional forms to pursue product diversification (Sako and Jackson 2006); and increase the use of outsourcing and contingent employment contracts (Holst 2014). In this paper, we focus on one area of work that has been significantly affected by these developments: call centers responsible for customer contact in the sales, service, billing, and technical support areas. Labor intensive call center work is increasingly mobile due to declining ICT costs. Moreover, it can be performed cheaply by domestic and offshore subcontractors in the growing international outsourcing industry (Taylor and Bain 2004; Batt, Holman, and Holtgrewe 2009).

At each company, we conducted semi-structured interviews (147 in total) with managers and worker representatives. The interviews were conducted both by phone and face-to-face; in most cases, the interviews were held in the native language of the interview partners.[2] We also distributed a survey to union and works council representatives at each organization that included standardized questions concerning collective bargaining institutions, negotiations over and outcomes associated

[2] At TDC and TS, interviews were conducted in English; and at O2CR through an interpreter.

with restructuring measures, and pay structures for call center jobs.[3] Interviews were transcribed and, together with site visit notes, coded using the qualitative data analysis software atlas.ti. Interview findings were then analyzed by grouping quotes by codes, preparing comprehensive reports for each case, and then comparing emergent themes across the cases. Finally, we produced a report summarizing our findings, which was both sent to all individuals interviewed and presented at a dissemination conference attended by interviewees; as well as at several meetings organized by national and international unions representing telecommunications workers (Authors 2013). Responses of representatives from the case study firms to the report and at conferences helped to correct errors of fact, as well as to confirm the resonance of our comparative analysis with stakeholder experience.

Case study comparison

Our comparison of the cases proceeds in three parts. First, we summarize the boundary strategies adopted by the ten case study firms. Second, based on the framework developed above (Figure 1), we compare the two dimensions of cost savings and ease of exit associated with these strategies across the ten cases. We demonstrate the value of this framework in explaining different patterns of labor-management contestation in four cases corresponding to its ideal-typical quadrants, as well as alternative outcomes in terms of re-internalization and concessions. Third, we examine the role of worker representatives in seeking to shift these cost structures through organizing strategies aimed at closing gaps in regulation and improving pay and conditions for externalized groups.

Boundary strategies of case study firms

The case study firms externalized call center work through four alternative strategies: ownership of dedicated call center subsidiaries, use of temporary agencies to staff internal call centers, domestic subcontracting, and offshore subcontracting. The shift of work to call center subsidiaries is a partial form of externalization: although these subsidiaries are still owned by the incumbent firms, they

[3] In Denmark, management provided data on pay structures as unions did not have an overview of pay across locations; while in the other countries union representatives provided this data via the survey, supplemented by collective agreements. The survey questionnaire is available on the Academia.com profile of the authors.

typically are organized as internal subcontractors, responsible for selling call center services to their "parent" and in some cases to other companies.

Figure 2 illustrates the proportion of work externalized through each of these strategies by firm in the late 2000s. TDC, DT, TI, and OP moved call center work to dedicated subsidiaries, with all consumer-segment call center jobs at DT and OP located in these subsidiaries. TDC, TS, A1, BT, OP, and O2CR used moderate to high numbers of agency staff in their internal call centers; DT, FT, and TI used small numbers of agency staff; while AT&T did not use temporary agencies. Those companies that relied on moderate to high levels of subcontracting (20-50% of jobs) either primarily used domestic subcontractors (DT and TI) or offshore subcontractors (FT, BT, and AT&T). TDC, TS, A1, and OP did not subcontract (in this time period), and O2CR subcontracted fewer than 10% of jobs.

[Insert Figure 2 about here]

Table 2 compares major changes in organizational boundary strategies, covering the ten year period from 2005 to 2015. This shows that seven of the companies moved jobs that had been externalized back in-house. In four of these cases – TDC, DT, BT, and AT&T – these changes were associated with negotiated concessions by unions and other worker representatives aimed at re-internalizing call center jobs or preventing further outsourcing. The remaining three cases – TS, TI, and FT – show more minor or no concessions.

[Insert Table 2 about here]

The variation observed across the cases in the extent and form of externalization can be attributed in part to distinctive combinations of labor and restructuring cost structures in different institutional settings. For example, TDC was historically able to pay agency workers lower wage rates than its internal staff, as agencies were covered by lower cost collective agreements. In contrast, at DT, outsourcing call center work offered more significant cost savings, as agency workers were covered by equal pay rules, while subcontractors had much lower pay rates due to very low bargaining coverage and no national minimum wage. Constraints on exit from internal employment relationships could also affect the form of externalization. DT initially faced significant short-term constraints from job security and location security agreements. However, management was able to shift call center jobs into lower cost subsidiaries, in some cases later selling these subsidiaries. O2CR represents a contrasting case where weak job security allowed the company to externalize by

downsizing its call center workforce while simultaneously increasing its use of temporary agencies, some of which hired former O2CR workers. These types of institutionally-influenced cost factors exerted some influence over boundary strategies at each of the firms.

However, the comparison in Table 2 shows that these boundary strategies could change over time, often following negotiations between management and worker representatives. This raises further questions concerning the political dynamics associated with these negotiations. Why in a subset of companies were boundary decisions a central focus of collective bargaining, with agreements to re-internalize work or to halt further externalization, while in others they were not? Why did some of these agreements involve significant concessions on pay and conditions for internal workers, while in other cases there were no concessions? We argue that these differences can be explained by analyzing how different combinations of labor and restructuring cost structures influenced patterns of labor-management contestation over boundary decisions.

Comparing contestation over boundaries

We apply the framework developed earlier in the paper to explain variation in patterns of contestation across the cases. First, we classify each case as low, moderate, or high along the two axes of Figure 1: cost savings associated with externalization and ease of exiting internal employment (Table 3).

[Insert Table 3 about here]

The classification of cost differences is based on data on pay levels for similar groups of internal and externalized workers, gathered through the union surveys and interviews (see also Figure 4 below); as well as qualitative findings concerning differences in broader terms and conditions of employment. Cost differences were predominately affected by five factors: internal pay distribution, the presence and scope of equal pay rules for temporary agencies, bargaining coverage and strength for domestic subcontractors, availability of offshore subcontractors, and the presence of centralized collective bargaining in incumbent firms that extended pay and conditions negotiated for traditional “core” workers to call center subsidiaries. Thus, for example, TS faced lower cost differences between internal and externalized workers compared to TDC due to more compressed internal pay, stronger equal pay rules for temporary agency workers in Sweden, as well as higher bargaining

coverage for subcontractors. FT, BT, and AT&T are classified as having 'high' cost differences because they had access to a significant market of offshore services in English-speaking Asian countries and French-speaking African countries, offering cost savings of between 30 and 75 percent. At TI, O2CR, and OP, cost differences are 'moderate' due to both relatively compressed internal pay rates and (particularly at TI) some institutional protections bringing up pay and conditions for major categories of externalized workers.

The classification of ease of exit from internal employment relationships is based on consideration of legislated and negotiated employment protections or job security agreements, as well as other arrangements that limited exit such as civil servant status and consultation or co-determination rights of works councils. In addition, three of the case studies – TDC, TS, and DT – outsourced significant numbers of jobs in different areas via worker transfer to subcontractors. This represents a particular form of exit that allowed these firms to by-pass other negotiated or legislated employment protections.

We classify the ease of exit as low, moderate, or high based on the strength of negotiated or legal limits on downsizing or moving jobs, which affected restructuring or switching costs associated with externalizing work. For example, A1 and FT both had low ease of exit due to high proportions of civil servants with lifetime job security, as well as relatively strong legislated employment protections. TDC is classified as 'moderate' because it had high downsizing costs associated with both a relatively generous notice period and re-training provisions, as well as some stronger employment protections for former civil servants – while TS is classified as 'high' because management unilaterally exited similar job security agreements in 2008 (described below). BT faced moderate constraints on exit due to job security agreements committing management to retrain workers and place those whose jobs had been cut in other parts of the company, as well as agreements limiting the percentage of work offshored and handled by temporary agencies – which were relatively transparent and easy for the union to police. While AT&T also had negotiated limits on offshoring, the company was able to by-pass these agreements due to the presence of multiple bargaining units and poorly coordinated collective agreements with widely varying terms and conditions. These examples illustrate the way in which 'ease of exit' was influenced not only by formal agreements and laws, but also by the capacity of employers to avoid or exploit loopholes in these institutions.

Figure 3 illustrates how each case maps on to Figure 1, using the classification developed in Table 3 above. Four cases broadly conform to our "ideal-typical" quadrants in the framework: France Telecom (I), AT&T (II), A1 (III), and TeliaSonera (IV); with the other cases having intermediate positions on at least one of the two axes.

[Insert Figure 3 about here]

At AT&T, cost savings associated with externalization and the ease of exiting internal employment relationships were both high. Pay at subcontractors, who have no collective bargaining in the US, was significantly lower than at AT&T internal call centers, with a difference of up to $13/hour. In addition, work could be further offshored to destinations such as India or the Philippines, where wages were a fraction of those paid in the US. Beyond these wage differences, benefits – including most notably health insurance – added to the cost of internal workers.

Ease of exit in the US is high overall due to weak legislated employment protections. There were some restrictions on subcontracting in AT&T's collective agreements with the Communication Workers of America (CWA). However, AT&T was able to sidestep these provisions by using loopholes in the agreements, and by adopting complicated restructuring measures that made it difficult for the union to verify whether management was complying with their terms. The presence of multiple bargaining units across AT&T exacerbated this problem, as workers could be moved across regions and collective agreements with different provisions regarding outsourcing. Union representatives observed that management also offered generous redundancy plans "to eliminate certain whole titles" and shift the work to subcontractors (Interview, CWA representative, 06/05/13).

Under these conditions, outsourcing was strongly contested by the CWA. The lack of bargaining presence in subcontractors, with low union density overall in the US, meant that organizing externalized workers was not viable. Instead, the union sought to both increase costs of exit and reduce the cost disadvantage of the internal workforce.

> Our contract actually says, when you're going to do any contracting you're supposed to notify the union the intents of that. But the intent was for me to come up with alternatives, maybe the union can come up with ideas on how to help them meet that need [in terms of finding cost savings in-house]. (CWA representative, 03/14/12)

In one example of these strategies, the CWA formed a joint committee with management in 2001-2004 aimed at narrowing the cost differential between internal and offshored call center work. This resulted in proposals to create a new job title for employees handling lower revenue work and allow temporary work; as well as a pilot project that reduced absenteeism and improved productivity via job rotation and flexible scheduling. Then in 2004 contract negotiations, the CWA sought an agreement to in-source 3,000 DSL help desk jobs that had been offshored to Accenture in India. Management agreed to bring this work back to the US, in CWA represented call centers, when the contract with Accenture expired in 2007 – but only on condition that the union negotiate a "competitive" set of conditions for the work. The work was internalized to five new call centers, under a new job title in the "Internet Services Agreement" with starting pay of close to $10/hour. By 2013, there were 15 of these Internet Services call centers employing 3,600 workers, and average pay had increased to $14/hour.

While the union adopted a range of strategies in negotiations with AT&T over boundary decisions, it consistently contested externalization with the objective of bringing jobs back in-house. The main means of doing so targeted reducing the cost disadvantages of the unionized workforce through concessions and partnership aimed at improving the productivity of internal workers. Management was able to use benchmarking of costs to gain these agreements, arguing for the need to introduce pay and conditions that were competitive with external, market-based labor costs. At the same time, the union was able to resist direct concessions for existing workers and to gain some improvements in pay and conditions over time for workers covered by "second tier" agreements.

A1 in Austria typifies the opposite set of conditions, in which both cost differences between internal and external labor and the ease of exiting internal employment were relatively low. A1 hired almost all new call center staff onto temporary agency contracts. Nearly 70% of the call center workforce were on these contracts – which were often renewed indefinitely, with some workers remaining in this status for decades. However, these temporary workers were entitled to the same employment terms and conditions as the permanent internal workforce due to strong equal pay and treatment provisions in national law and collective agreements. A1 still gained some savings, primarily due to lower dismissal costs compared to the permanent workforce, as well as less generous pensions and benefits. However, the labor cost differential was significantly smaller than that associated with outsourcing or offshoring at AT&T. Other potential forms of externalization also offered lower cost savings due to Austria's more encompassing collective bargaining institutions, which regulate pay

and conditions at call center subcontractors; as well as centralized bargaining at A1 and in the telecommunications sector more generally, guaranteeing relatively standardized pay rates for equivalent jobs. For language reasons, offshoring is also not as readily available to Austrian as to US firms.

In addition, management's ability to exit internal employment was significantly restricted by the large proportion of civil servants at A1, who enjoyed lifetime job security. Nearly 60% of the workforce had this civil servant status in the mid-2010s. In addition, job security provisions in collective agreements, relatively strong legislated employment protections, and works council oversight in dismissal decisions raised restructuring costs associated with downsizing or relocating jobs. While management was able to reduce internal employment over time, typically relying on voluntary redundancy or retirements, it was not able to quickly and unilaterally exit its internal employment relationships.

These conditions led to a situation of low labor-management conflict over externalization measures at A1. Management was not able to benchmark costs between external and internal groups of workers to argue for concessions, as these cost differences were marginal. In addition, there was no widespread perception that external workers were being used to undermine standards, as they were covered by strong institutional and negotiated protections. In interviews, union representatives noted that they were not happy with the high use of agency work, particularly the practice of keeping workers on these contracts for long periods of time:

> For me, this is not satisfactory, because I think it's sick that you need agency workers at all, but when you're in the stock market, financially driven, it looks better, as though you were slimmer. (A1 works councilor, 26/10/11).

However, the union was able to represent agency workers' interests, organizing them to join the union and intervening on their behalf in employment disputes. In one case described by a union representative, a temporary worker was dismissed "because management did not like him," and the works council succeeded in getting him reinstated.

France Telecom and TeliaSonera correspond to the different types of mixed case. FT had a high proportion of civil servants – around 70% in 2012 – which, together with strong national employment protections in France, effectively made it impossible to dismiss internal workers. At the same time, cost differences between internal and external labor could be significant. In 2010, FT

operated around 20 internal call centers (14,000 workers) and subcontracted with 20 external call centers (6,000 workers) – around half of which were located in Morocco and Senegal. Call center subcontractors in France are covered by a sectoral agreement that sets the minimum salary at the national minimum wage. This was only 12% lower than starting salaries in FT's call centers in the early 2010s, but overall labor costs were lower due to higher turnover (and thus a larger percentage of workers at the starting salary level), a large proportion of part-time workers, and less generous pensions and other benefits. There was a much larger gap between internal and offshored workers: management estimated that labor costs in offshore call centers were on average 75% lower than those in-house (Interview, FT manager, 08/03/10), with typically no union representation.

Under these conditions, FT had relatively strong cost-based incentives to externalize work, but also strong constraints on exiting internal employment relationships. Management initially responded by adopting a series of draconian internal restructuring measures explicitly aimed at increasing voluntary resignations (Diehl and Doublét 2010). However, this was halted after a wave of suicides at the company gained widespread negative media attention. Unions were critical of outsourcing, and had formed a committee within the company's "economic commission" to consult on this practice, with the aim of gaining commitments to reduce the volume of work outsourced. One union representative described a long process of trying to get information on the volume of work outsourced and associated costs – which they succeed in getting in the end by convincing management they were committed to working with them to internalize jobs under good conditions:

> This is really something that we won. It took time, it took a lot of confidence. We had to say to them: no, we will not use this to embarrass you in front of your competitors or create difficulties in the press. We want to use it because we think that employees are better inside the Group [FT], that they are treated better when they are employees of the Group than when they are subcontracted outside of the group. That is the reality. (CGT representative, 30/06/10)

Indeed, FT reduced the volume of call center work outsourced in the late 2010s. However, managers and union representatives attributed this to declining call volumes. Cutting outsourcing was the easiest adjustment strategy due to the high costs associated with downsizing. Although the FT unions sought to reduce outsourcing – as in all of the cases – they did not place a high priority on this in negotiations or through direct action and protests. Notably, the unions did not

seek to make concessions to reverse outsourcing, nor did management use benchmarking of costs between internal and externalized workers to argue for changes in internal pay and conditions.

At TS, similar to A1, labor cost differences were low between internal and external workers because of encompassing legislation and collective bargaining. Temporary agency workers are covered by strong equal pay and treatment rules as well as collective agreements, with high union density in this sector overall. In addition, most major call center subcontractors are signatories to their industry's sectoral collective agreement, as well as having strong local union representation. Union representatives estimated that the pay difference between call center workers at TS and at major subcontractors was between 2,000-5,000 Krona a month, which amounts to $1.40-3.40/hour lower base pay. However, subcontractors also typically had a higher sales commission component that narrowed this gap. In addition, the broader terms of collective agreements were similar, with some stronger provisions in the call center agreement – for example, prohibitions on split schedules.

At the same time, restrictions on exit at TS were low. The unions had negotiated past collective agreements giving redundant employees a generous package of benefits, which ensured no involuntary dismissals and gave employees three years to find new jobs within or outside the company. However, management unilaterally ended this agreement in 2008. In addition, TS transferred close to 11,000 technical and business service employees to subcontractors between 2001 and 2007. This demonstrated the ease with which management could use employee transfer to exit internal employment relationships.

Relatively small differences in pay meant that management could not easily use benchmarking of these costs to demand pay concessions. It also meant that the union also did not view externalization as a major threat to broader equity goals or to sustaining union membership, as externalized workers were covered by collective agreements. At the same time, union representatives at TS were concerned with the expansion of subcontracting and temporary agency work in different time periods, and tried to encourage re-internalization where possible. Around 2,000 call center employees were transferred to subcontractors between 1998 and 1999, when the company went through a major consolidation of its call center operations. It continued to use the subcontractors for several years, but gradually replaced them with temporary agency workers. By 2011, 40% of the workforce in customer service jobs and 30% in sales or support jobs were on temporary contracts. The union sought to convince management to internalize these workers,

using the business case that the customer service quality and productivity of the permanent workforce was higher:

> 3-4 years ago we had perhaps a thousand or more by Manpower for instance. We of course wanted them to be employed by the company. [...] we said, employ them in-house instead. I think they, the management, decided to do that because they noticed that the quality that they get from the employees was bigger if they are employed by us [...] The company said: we are getting much higher customer satisfaction if we employ them ourselves, even if it costs a little bit more. (Unionen representative, 27/10/14)

By 2015, the proportion of temporary agency workers in TS's call centers had declined from over 30% to 18%, as more of these workers were shifted onto permanent contracts.

This comparison illustrates that different combinations of labor and restructuring cost structures could have a significant impact on patterns of labor-management contestation over boundaries. While there was some contestation in the four cases, AT&T stands out for both the high strategic priority the union placed on limiting or reversing outsourcing, as well as the size of concessions.

The relationship between wage differentials and concessions

In four of the cases – TDC, DT, BT, and AT&T – worker representatives negotiated significant concessions in exchange for agreements to reverse externalization or halt outsourcing plans (see Table 2 above). These cases had in common large cost differences and moderate to high ease of exit. This suggests that these cost differences are particularly important for understanding the political dynamics of concession bargaining over externalization. A closer examination of pay structures across the firms provides further support for this argument. Figure 4 illustrates starting, typical, and top pay levels for in-house call centers, call center subsidiaries or second tier contracts, and subcontractors where these figures were available. We include pay levels for agency workers where these rates were allowed to deviate from those for equivalent permanent jobs. At A1 and O2CR, we only have pay figures for in-house call centers. We were not able to obtain pay data from OP.

[Insert Figure 4 about here]

Figure 4 shows that TDC, DT, BT, and AT&T are distinctive in having very high pay for their in-house call center workers relative to call centers in other European countries. The other case study companies had lower and/or more compressed pay scales for in-house staff, and smaller differences compared to pay rates for externalized groups of workers. In addition, concessionary or second-tier agreements had the effect of bringing down pay levels in these four cases (at least for some groups of internal workers) closer to levels in the external market in each country. TDC's subsidiary Call Center Europe had pay rates similar to those at subcontractors. DT's call center subsidiary DTKS, BT's new lower tier job titles, and AT&T's new call centers under the Internet Services Agreement all paid from 30% to 50% less compared to past agreements. All of these agreements were strongly influenced by employer benchmarking of labor costs and terms of collective agreements or individual contracts for similar externalized call center jobs.

This further supports our argument that where cost differences between internal and externalized labor were larger, employers were more likely to seek concessions to reduce internal pay and conditions to the level of the external market. However, worker representatives across our cases also adopted a range of strategies aimed at bringing up pay and conditions in externalized workplaces – essentially raising this market-based benchmark. Thus, while employers were able to manipulate boundaries to gain power over internal pay and conditions, worker representatives also pursued strategies aimed at limiting that power by extending institutional protections to externalized groups. Across the cases, we see examples of these strategies. The unions at BT increased union membership rates among temporary agency workers through organizing and advocacy work, and led a series of campaigns aimed at "closing the loopholes" in equal pay rules for these workers. At Orange Polska, unions successfully opposed management's plans to introduce lower pay rates for workers transferred to the company's new call center subsidiary in 2010, using member mobilization and protests to improve their bargaining position.[4]

Telecom Italia represents the most successful example of these strategies. Historically, TI's major subcontractor Atesia employed most of its workers on temporary "freelance" contracts, with low levels of pay – mainly based on performance – and lower social contributions. In the early 2000s, following mounting public pressure and worker protests, union representatives and TI management negotiated an agreement whereby TI purchased 20% of Atesia and integrated 1,350 workers into its

[4] See (Authors 2015) for more detail on these case studies.

subsidiary Telecontact, converting all freelance contracts into training positions and agency contracts.

However, Atesia – similar to other subcontractors – continued to employ many workers on freelance contracts, and the unions started lobbying the government to restrict their use. In 2006, a new legal ordinance came into force, which required companies to offer inbound call center agents permanent contracts. Atesia subsequently agreed to turn the freelance contracts of inbound call center agents onto permanent, part-time contracts, at a lower pay grade (Panici 2013). A second ordinance came into force two years later, which required evidence of "autonomous work" for outbound agents on freelance contracts. Atesia then agreed to move its 6,000 outbound freelancers onto permanent contracts, mainly with part-time or apprenticeship status. However, the company immediately started hiring freelancers again. The unions responded with a series of strikes, as well as by helping individual workers to bring their cases to court (Info Atesia 2008).

These campaigns had the combined effect of raising pay and conditions in the call center subcontractor sector, and in particular at a major TI subcontractor. They were also associated with some internalization of call center work with minor initial concessions for internalized workers, which were then mitigated by the union. Thus, this represents a successful example of worker representatives adopting a series of strategies aimed at extending negotiated and legal protections to externalized workers, effectively shrinking the cost differential between internal and external labor.

It is noteworthy that TI falls squarely in the middle of our framework (Figure 3), with both moderate cost savings associated with externalization and moderate ease of exit. Pay for internal TI call center workers is also relatively low and compressed in international comparison (Figure 4). As we have argued, these conditions make it more difficult for employers to use benchmarking of costs to gain concessions – thus altering the political dynamics associated with negotiations over re-internalization of work. However, unions also played a central role in further increasing the costs of external labor by organizing new groups of workers and constraining exit through increased internal job security at TI and its subcontractors. Italian unions were able to achieve these objectives due to (relatively) encompassing collective bargaining institutions and high union density in externalized workplaces, as well as through activist leadership by militant unions committed to pursuing broader equity goals. This demonstrates the importance of both strategic choices and broader power resources in explaining different outcomes from patterns of contestation over organizational boundaries.

Conclusions

This article contributes to debates in the employment relations literature concerning the mechanisms connecting labor market and collective bargaining institutions to organizational boundary decisions. We have shown that cost structures play a role not just in how employers weigh the efficiency of alternative boundary decisions, but also in patterns of contestation between labor and management associated with changes in boundaries over time. The outcome of conflict over boundaries proved to have significant implications for pay and conditions for different groups of workers. Under conditions of large differences in labor costs between internal and external workers and high ease of exit from internal employment relationships, externalization was most strongly contested by worker representatives – but also associated with significant concessions from the internal workforce in exchange for re-internalization of work.

Our empirical findings are not intended to represent a typology of "national models" of contestation that can be generalized across sectors and workplaces in the countries studied. Instead, the case studies illustrate the usefulness of the framework that we have developed in this paper for analyzing the effects of heterogeneous national, sectoral, and company-level institutions on the political dynamics of collective bargaining over boundary decisions at the organizational level. This study is the first to gather equivalent wage data and information on externalization practices from such closely matched companies across a large number of countries, in a setting in which parallel changes in markets and ownership encouraged rapid and radical restructuring of work. This has given us a unique opportunity to examine the relationship between cost structures and patterns of contestation between labor and management over boundary strategies, with some degree of control for competing explanations.

Further research should seek to test the generalizability of the arguments developed here in other organizational and employment settings. Our findings suggest that where cost differences are largest between core and externalized workplaces and ability to exit is high, there will be more downgrading of pay and conditions over time. These changes are likely to involve concession bargaining where unions are present – but may also be expected in workplaces with no or weak union presence. For example, Weil (2014) observes similar dynamics in large, non-union US workplaces, where the shift of work into complex networks of suppliers has contributed to

increasingly market-driven wage setting processes. Over time, these processes lead to downward pressure on pay and conditions for workers in easily rationalized jobs, contributing to growing inequality at a societal level.

More generally, our findings provide empirical support for the argument that encompassing institutions are a crucial tool for worker representatives as they seek to preserve high pay and conditions in large firms and across their production chains. In all of our case studies, employers sought to exploit opportunities to reduce labor costs, where they were available, by moving work across organizational boundaries. In cases where cost differences were large and exit options were increasing, unions came under pressure to reduce internal costs through concessions. The example of Telecom Italia demonstrates that this is not the only way in which cost differences between segments can be reduced: TI's unions were successful in improving pay and conditions at call center subsidiaries and some subcontractors through organizing and legislative campaigns. Worker representatives pursued these strategies across the cases. The conditions for success were rooted in their ability to mobilize heterogeneous power resources to increase the cost of externalization and establish new barriers to exit.

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Table 1. Background on the case studies

	Country	Total employees 2010*	Year first public share offering	Year fully privatized or (% state ownership)	Year market liberalized (fixed-line segment)	Market share (fixed-line segment) 2010-11*	Union density **
TDC	Denmark	9,200	1994	1998	1996	67%	75%
TeliaSonera (TS)	Sweden	8,937	2000	(51%)	1993	59%	85%
A1	Austria	9,717	2002	(28%)	1998	55%	65%
Deutsche Telekom (DT)	Germany	123,174	1995	(32%)	1998	52%	55%
France Telecom (FT)	France	102,552	1997	(27%)	1998	51%	N/A
Telecom Italia (TI)	Italy	57,994	1997	2003	1997	56%	(*26%)*
BT	UK	79,800	1984	1993	1990	39%	90%
AT&T	USA	143,898	1885	1885	1996	40%	88%
O2 Telefónica Czech Republic (O2CR)	Czech Republic	7,114	1995	2005	2001	60%	38%
Orange Polska (OP)	Poland	25,687	1998	2010	2003	57%	25%

Source: *European Commission (2010); except AT&T: Statista (2014) **union surveys (TI membership is higher than reported here, as this figure does not include members of UIL and UGL)

Table 2. Changes in organizational boundaries (2005-2015), and associated changes in pay and conditions for internal workers

	Measures to re-internalize work, halt externalization plans, or significantly expand externalization	**Associated changes in pay and conditions for internal workers, sought or secured in negotiations**
TDC	1) 2011: all temp agency workers made permanent 2) 2012-13: Mgt agreed to halt outsourcing plans 3) 2014-15: Mgt outsourced 50% existing call center workforce	1) unpaid lunches and reduced terms and conditions for new hires/internalized temps 2) flexible working time model introduced 3) Mgt sought further concessions on pay for lunches and breaks; reduced pensions; and cuts in overtime pay to halt planned outsourcing – when union did not agree, outsourcing was carried out
TeliaSonera	2013-15: temp agency workers reduced from >30% to 18% of workforce	none
Deutsche Telekom	1) 2007: Mgt agreed not to outsource new subsidiary 2) 2012-14: subcontracting reduced from 40% to 30%; % temp agency reduced; internal employment stabilized	1) pay reduced by 30% for new hires and working time increased for existing workers; more variable pay; weekend work introduced 2) flexible working time model introduced; part-time work increased; more intensive performance monitoring allowed
A1	none	N/A
France Telecom	2010-12: Amount of work outsourced declined with declining call volume	none
Telecom Italia	1) mid-2000s: 1,350 workers from a subcontractor moved to TI subsidiary; freelancers converted to training, probation, part-time and agency contracts 2) 2008-12: all temp agency workers in subsidiary made permanent	1) slightly lower initial pay grades for internalized agency workers 2) internalized workers on part-time contracts progressively moved onto full-time contracts
BT	1) 2007: some temp agency workers made permanent 2) 2011: Mgt agreed to internalize 600-900 offshored jobs	1) new pay grade with lower pay and conditions for internalized agency workers 2) new pay grade with lower pay and conditions for jobs created through in-sourcing
AT&T	2007-13: 3,600 offshore jobs internalized	new pay grade with lower pay and conditions for jobs created through in-sourcing
O2 Telefónica Czech Republic	none	N/A
Orange Polska	none	N/A

Table 3. Comparison of cost structures associated with externalization

	Cost differences between internal and externalized workers	**Ease of exit from internal employment relationships**
TDC	**HIGH** - equal pay rules for temporary agency workers allowed lower pay if covered by collective agreement - decentralized bargaining allowed wage differentiation in call center and other subsidiaries - minority of subcontractors covered by a sectoral or company-level collective agreement	**MODERATE** - weak legislated employment protections - negotiated employment protections increased costs associated with downsizing; stronger protections covered former civil servants (35% of workforce) - worker transfer to subcontractors moderately used
TeliaSonera	**LOW** - equal pay rules and high bargaining coverage for temporary agencies - majority of subcontractors covered by a sectoral agreement establishing minimum pay and conditions	**HIGH** - strong negotiated employment protections in the past; however, employer unilaterally exited from these agreements in 2008 - worker transfer to subcontractors widely used
Deutsche Telekom	**HIGH** - equal pay rules and collective bargaining for temporary agencies - decentralized bargaining at DT allowed wage differentiation in call center subsidiaries - very low bargaining coverage for subcontractors, with no national minimum wage (before 2015)	**MODERATE** - strong legislated employment protections and job security in collective agreements; some civil servants with very strong protections (35% of workforce) - works councils have co-determination rights over dismissal decisions - worker transfer to subcontractors widely used
A1	**LOW** - equal pay rules and collective bargaining for temporary agencies - all subcontractors covered by a sectoral agreement establishing minimum pay and conditions	**LOW** - strong legislated employment protections and job security in collective agreements; high proportion of civil servants with very strong protections (60%) - works councils have consultation rights over dismissal decisions
France Telecom	**HIGH** - equal pay rules and collective bargaining for temporary agencies - majority of subcontractors covered by a sectoral agreement establishing minimum pay and conditions at national minimum wage - availability of offshore subcontractors with very low labor costs	**LOW** - strong legislated employment protections and job security in collective agreements; high proportion of civil servants with very strong protections (70%)
Telecom Italia	**MODERATE** - equal pay rules for temp agencies, but only based on sectoral agreement (not higher paid company agreement) - high bargaining coverage for domestic subcontractors, but they can choose lower cost agreements and use cheaper freelance contracts - decentralized bargaining at TI allowed wage differentiation in call center subsidiary	**MODERATE** - strong legislated employment protections, strong job security in collective agreements - negotiated limits on % temp agency work
BT	**HIGH** - equal pay rules for temp agencies introduced in 2011, but could be by-passed using pay between assignment contracts - availability of offshore subcontractors with very low labor costs	**MODERATE** - moderate legislated employment protections, moderate job security in collective agreements - agreed limits on % offshored and agency workers
AT&T	**HIGH** - no equal pay rules for temp agencies or collective agreements for subcontractors - decentralized bargaining at AT&T allowed wage differentiation in call centers with lower-tier agreements	**HIGH** - weak legislated employment protections, relatively weak job security in collective agreements - negotiated limits on offshoring and practices to replace domestic workers; but employer used a range of strategies to get around these rules

	- availability of offshore subcontractors with very low labor costs	
O2 Telefónica Czech Republic	**MODERATE** **-** equal pay rules for temp agencies, but did not cover flexible benefits - no collective bargaining for subcontractors	**HIGH** - weak legislated and negotiated employment protections
Orange Polska	**MODERATE** **-** no equal pay for temp agencies, pay 30-60% less **-** central collective agreement extended to call center subsidiary	**HIGH** **-** weak legislated and negotiated employment protections; though some job security protections for call center subsidiary

Figure 1. Predicted effects of labor and restructuring cost structures on patterns of union-management contestation over externalization

<table>
<tr><td rowspan="2">Labor cost differences between internal and externalized workers</td><td>High</td><td>Moderate contestation:

- Worker representatives view externalization as a low threat to internal jobs due to restricted exit; but as a significant threat to equity goals due to large cost differentials.

- Employers may seek to externalize to gain cost savings, but have limited ability to use benchmarking of costs to gain internal concessions.

I</td><td>High contestation:

- Worker representatives view externalization as a significant threat to internal jobs and equity goals due to large cost differentials and high ease of exit.

- Employers may use benchmarking of cost differences with external worker groups and exit threats to gain internal concessions.

II</td></tr>
<tr><td>Low</td><td>Low contestation:

- Worker representatives view externalization as a low threat to internal jobs and to broader equity goals due to low cost differentials and restricted exit.

- Employers may seek to externalize to gain flexibility, but cannot use it as leverage for internal concessions.

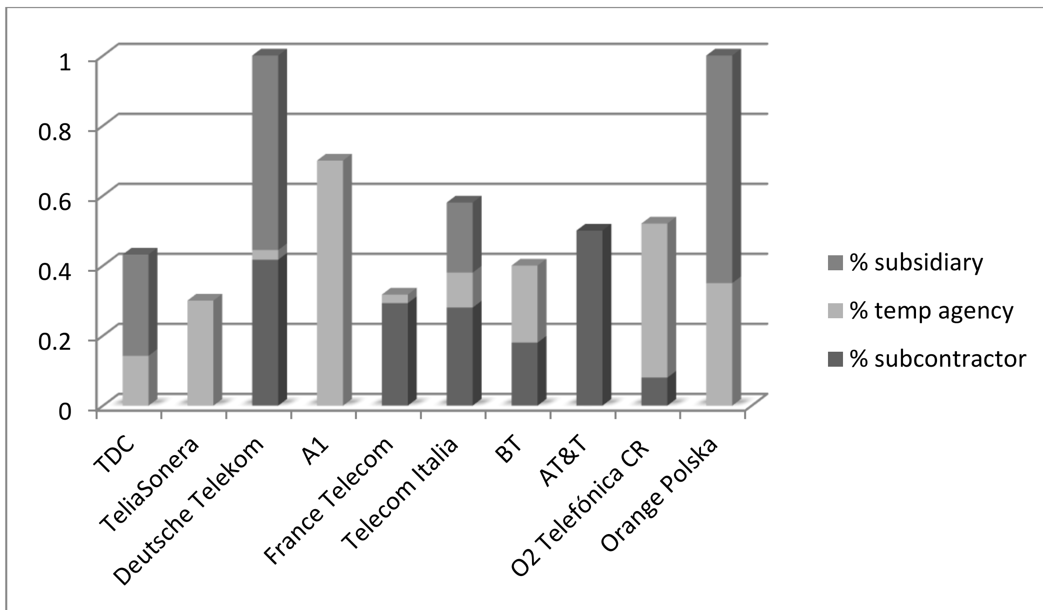
III</td><td>Moderate contestation:

- Worker representatives view externalization as a moderate threat to internal jobs due to ease of exit, but not to broader equity goals due to low cost differentials.

- Employers may use exit threats to gain labor cooperation to improve the productivity and quality of internal labor, but cannot use externalization as leverage for internal concessions.

IV</td></tr>
<tr><td></td><td></td><td>Low</td><td>High</td></tr>
<tr><td></td><td></td><td colspan="2">Ease of exiting internal employment</td></tr>
</table>

Figure 2. Estimated % of employees externalized in call centers (consumer segment), 2010-2012

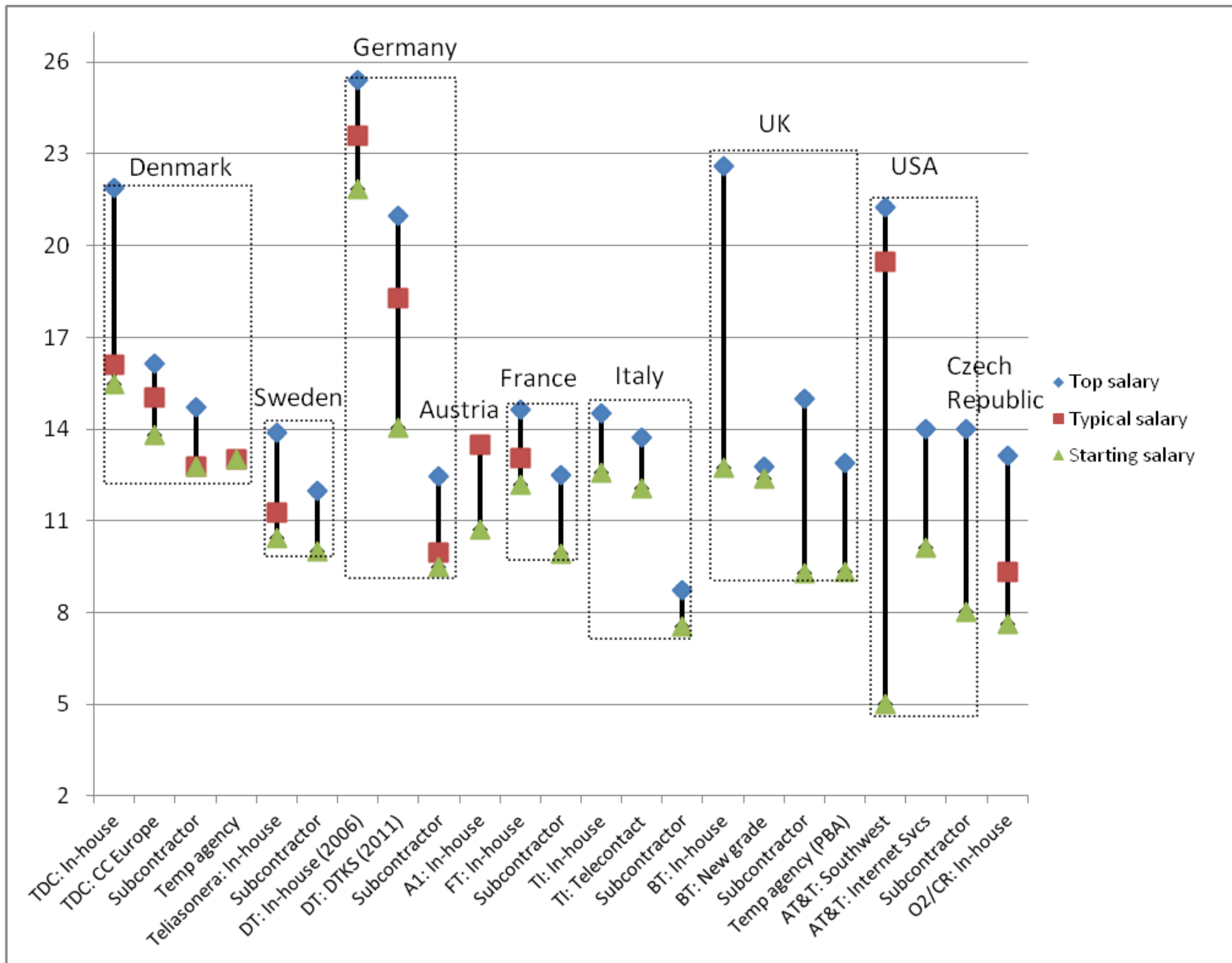


Note: These figures are based on estimates provided by interviewees, who differed in their ability to give precise numbers of jobs externalized in each category. The reference year differs between the cases, but is roughly in the 2010-2012 period. The % subcontracted at TI is a conservative estimate, with up to 70% of call volume subcontracted in some areas of work. Agency workers at DT, TI, and OP were used in the subsidiaries, while those at other companies were used in internal call centers. The figures for % subcontracted at FT, BT, and AT&T include both domestic and offshore subcontracting.

Figure 3. Comparison of cases based on framework in Figure 1

<table>
<tr><td rowspan="3">Labor cost differences between internal and externalized workers</td><td>High</td><td>France
Telecom
I</td><td>BT
TDC
Deutsche Telekom</td><td>AT&T
II</td></tr>
<tr><td>Moderate</td><td></td><td>Telecom Italia</td><td>O2 Czech
Republic
Orange Polska</td></tr>
<tr><td>Low</td><td>A1
III</td><td></td><td>TeliaSonera
IV</td></tr>
<tr><td></td><td></td><td>Low</td><td>Moderate</td><td>High</td></tr>
<tr><td></td><td></td><td colspan="3">Ease of exiting internal employment</td></tr>
</table>

Figure 4. Comparison of hourly pay levels for call center workers (customer service and sales, consumer segment) in US Dollars, based on purchasing power parity (2011-2012, unless otherwise stated)



Source: Collective agreements, management/union surveys, and interviews

Note: Comparison categories for each case include: a) in-house; b) subsidiaries and new pay grades (where present); c) subcontractors (where used); and d) temporary agencies (where used and where pay is allowed to deviate from in-house pay). Employees were no longer hired onto the AT&T Southwest reported "starting salary." We do not have figures for the "top salary" at A1; however, the typical salary is close to the top of the pay scale. Agency workers at TS, DT, A1, FT, and TI are on the same pay scale as permanent workers – although they would typically be paid close to the starting salary level. The in-house pay rates at DT (2006) no longer apply, as all call center workers were moved onto a lower scale at the DTKS subsidiary.