Trade Unions and the Service Economy

Union Strategies and Call Centres in Austria and Germany

Hajo Holst
The Author:

Hajo Holst

is a PhD-candidate and researcher at the University of Osnabrück, faculty for social sciences. His main research interests are economic sociology, industrial relations and comparative politics.

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Other Publications:


Contact:

Universität Osnabrück, Fachbereich Sozialwissenschaften, Seminarstraße 33, 49069 Osnabrück; email: hajo.holst@uni-osnabrueck.de
# Content

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>5</td>
</tr>
<tr>
<td>Trade Unions as Strategic Organizations: Union Core Strategies in Austria and Germany</td>
<td>9</td>
</tr>
<tr>
<td>The Formation of the Call Centre Sector in Austria and Germany</td>
<td>13</td>
</tr>
<tr>
<td>Union Strategies towards Call Centres in Germany</td>
<td>17</td>
</tr>
<tr>
<td>Union Strategies towards Call Centres in Austria</td>
<td>20</td>
</tr>
<tr>
<td>Conclusions</td>
<td>25</td>
</tr>
<tr>
<td>References</td>
<td>30</td>
</tr>
</tbody>
</table>
Abstract

This working paper serves a double purpose. First, by systematically comparing the strategic responses of Austrian and German unions to an emergent sector the paper seeks to contribute to our understanding of current German and Austrian unionism. Second, by introducing the concept of union core strategies it seeks to contribute conceptually to the study of the varieties of unionism. It is argued that the concept facilitates more systematic comparisons of unions’ strategic responses to apparently similar challenges by focusing on these challenges’ variegated impacts on the strategic capacities of trade unions. Despite the high degree of similarities in the industrial relations systems and the uniform development of the call centre sector in both countries the strategic responses of Austrian and German unions differ remarkably in terms of content, priority and timing. The bargaining capacities of Austrian unions are much more loosely coupled to the economic sphere than in Germany. Negotiating collective agreements has the character of a politico-administrative strategy in Austria while it is a purely industrial strategy in Germany.
1. Introduction

Austrian and German unionism seem to be birds of a feather. The two countries do not only flock geographically together, their industrial relations systems are characterized by a high degree of similarity. In both countries, the dual system of interest representation based on a division of work between unions and works councils constitutes the core of industrial relations (see Jacobi et al., 1998; Traxler, 1998). While research in industrial relations and comparative unionism generally point towards the similarities between both countries, research on neo-corporatism has stressed the differences. Throughout the post-war period Austria was considered to be a more corporatist country than Germany (see Lehmbruch and Schmitter, 1982). However, due to overarching similarities systematic comparisons between Austria and Germany, in terms of the industrial relations systems or the varieties of unionism, are rare (for an exception see the contributions in Endruweit et al., 1985). This paper seeks to explore the differences in the logics underlying Austrian and German unionism by studying union behaviour on a sector level.

The lack of systematic comparisons characterizes not only research on Germany and Austria as two ‘most similar cases’ but throughout the entire field of comparative unionism which is rife with elaborate case studies and ‘parallel descriptions’ (see Hyman, 2001a; similar Frege and Kelly, 2004: 36). Albeit trade unions in most Western European countries are currently facing similar political, economic and social challenges very little systematic comparative research on the strategic responses of unions across countries has been undertaken. The emergent call centre sector is closely associated with several of the challenges unions in advanced capitalist countries are currently facing: vertical disintegration of large companies, increased outsourcing, a structural shift from manufacturing to services, and the growing significance of atypical employment. Thus, the call centre sector poses a litmus test to the logics underlying current Austrian and German unionism.

To facilitate systematic comparison of the strategic responses of unions in Germany and Austria the paper introduces the concept of union core strategies. The concept’s primary aim is to analyze how a given challenge affects unions’ strategic capacities. Mapping the variegated impact of apparently similar challenges on unions’ strategic capacities within and across countries helps ‘contextualizing’ the comparison and avoiding the pitfalls of comparing ‘apples and oranges’ (Locke and Thelen, 1995; for a similar argument
Schrege 1981). Analyzing the variegated impact of apparently similar challenges on unions’ strategic capacities enables us to understand both the intra-country and the cross-country variations of unions’ strategic responses in terms of the content, the intra-union priority and the timing.

The call centre sector emerged in a similar fashion in both countries. Underlying its formation are processes of redrawing established sector and market boundaries. Today, three types of call centres exist within the emerging sector: internal call centres, spin-off call centres and subcontracting call centres (see Batt et al, 2005, Holtgrewe, 2005, Schönauer, 2005). Internal call centres are the classical type; they are organizational units within companies. Spin-off call centres are mostly former internal call centres which have become independent from their mother companies but limit their activities to the mother company. Subcontracting call centres operate as outsourcing partners for clients from various sectors. Thus, the emerging sector of call centres is the outcome of redrawing sector and market boundaries.

To capture the specific logic of sector formation the strategic responses of German and Austrian unions are analyzed and systematically compared across three key segments (call centres in mail order business, call centres in telecommunications and subcontracting call centres) and over time in three periods of sector formation (sector establishment, sector expansion and sector consolidation). As the paper will demonstrate, each period was characterized by specific competitive relations between the different segments of the emergent sector. By doing so, the number of observations (9 in each case) as well as the generalizability of the empirical findings is increased (see Landman, 2003: 42).

After briefly elaborating on the data underlying the research the study’s key concept, union core strategies, is discussed. Subsequently the political-economic development of the call centre field in both countries is outlined to map the distinct political-economic

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1 There is no established definition of a sector within economic sociology. Using Kitschelt’s (1991: 460) definition of a sector as a ‘technological system within a particular market segment’ the paper evokes the notion of an ‘emergent sector’ to classify the ‘institutional field’ (DiMaggio and Powell, 2004) of call centres. The companies comprising the emerging sector all apply the same technology to produce call centre services. Ever-tighter relationships between the companies comprising the emerging sector evolved by way of direct competition on markets and indirect competition through benchmarking, thus increasing the mutual awareness.

2 The differentiation of companies into distinct “segments” of the call centre field is purely analytical. Many call centres operate simultaneously in several segments; thus the segments are overlapping. For analytical purpose, however, we can treat the segments as units of analysis.
challenge posed by call centres in the three periods of sector formation. Then, the strategic responses of German and Austrian unions are analyzed independently from each other within the three periods and the three segments. In the final section the results are briefly summarized. Based on both intra-country and cross-country comparisons the paper seeks to draw general inferences on the logics underlying German and Austrian unionism stressing the differences between the two countries.

Data

The paper’s primary sources are interviews the author conducted with union officials in both countries within the NODE-project Arbeitsgesellschaft und industrielle Demokratie in Europa. In total, 18 structured interviews with union officials in Germany and Austria were conducted. The structured interviews covered three themes: problem perception, internal strategies and external strategies. The interviews were coded using MAXQDA. Note that the NODE-project is confined to union strategies towards atypical employees in Germany and Austria within three sectors: agency work in the electrical industry, dependent self-employment in adult education, and various forms of atypical employment in call centres. Using data from the project, complemented by additional interviews and secondary sources the author is currently conducting a study on labour relations in call centres as a new and emerging sector in Germany. The paper at hand represents the attempt to apply this research design to a comparison of the Austrian and the German case.

To do so, secondary information was collected. In addition to the interviews with union officials the author conducted 5 interviews with representatives from business associations and other sector experts. These interviews are not systematically exploited but rather used as background information on the process of sector formation. Furthermore, the member journals of the unions concerned as well as several internal union documents were analyzed. The unions concerned were DPG (Deutsche Postgewerkschaft), HBV (Gewerkschaft für Handel, Banken und Versicherungen), DAG (Deutsche Angestelltengewerkschaft) Verdi (Vereinte Dienstleistungsgewerkschaft) and the peak organization DGB (Deutscher Gewerkschaftsbund) in Germany and GPA (Gewerkschaft der Privatangestellten) and the peak organization ÖGB (Österreichischer Gewerkschaftsbund) in Austria. The member journals proved to be particularly valuable.
and informative sources and led to the identification of the key actors within unions. The two professional journals of the German-speaking call centre sectors Callcenter profi and teletalk contained helpful background information on the sector development.
2. Trade Unions as Strategic Organizations: Union Core Strategies in Austria and Germany

Trade unions in advanced capitalist countries are currently facing similar political, economic and social challenges such as employers’ demands for increasing flexibility, the shift from manufacturing to private services, growing unemployment, or the decline of corporatism (see Locke et al., 1995; Waddington and Hofmann, 2001; Streeck, 2005). Under the influence of the ‘new institutionalism’ most analyses of the strategic responses of trade unions to these challenges concentrate on the institutional configuration of the industrial relations system or the national capitalist model as explanatory factors (see Hall and Soskice, 2001; Thelen, 2002).

Such a focus is often sufficient to explain what unions do when they decide to respond to a challenge. The institutions of the national industrial relations system endow trade unions with specific capacities but they do not prescribe union behaviour (see Crouch, 2005). Empirical research has shown that the strategic responses of trade unions across countries to apparently similar challenges differ not only in terms of their content but in terms of their intra-union priorities and their timing (see Clegg, 1976; Martin and Ross, 1996; Turner, 1991). Unions across countries do not only pursue different strategies. When confronted with a similar set of challenges unions across countries do not respond to the same challenges and, if they do so, they respond at a different time. In order to understand the logics of the unions’ strategic responses we therefore cannot restrict ourselves to studying what unions do, we have to analyze what unions did not do. To do so, the paper addresses the following pivotal questions: Why do unions address certain issues but ignore others? Why do unions prioritize certain challenges over others?

Following the arguments of Locke and Thelen, we see that unions respond to a challenge not only according to the capacities the industrial relations system endows them with but also according to the impact of the challenge on the union itself. In a four-country comparison of union responses to a set of employers’ demands for increased flexibility the authors argued that due to the demands’ specific impact on the unions ‘seemingly different, nationally specific conflicts are in fact analytically analogous’ and vice versa (Locke and Thelen, 1995: 359). The difference in meaning of apparently similar challenges is explained by referring to the specific identities of historically existing trade unions. Unions assign a higher priority to a challenge if the challenge conflicts with their
established identity. However, Hyman (2001a: 219f.) correctly stresses that Locke and Thelen’s causal explanation suffers from ‘an implicit circularity’. Unions’ identities are themselves subject to change, they are not fixed but fluid and internally as well as externally contested (see Hyman, 2001b). Potentially, an organization has at least as many identities as members.

In order to avoid these pitfalls and to facilitate meaningful comparison of the logics underlying different unionisms the paper introduces the concept union core strategies. The concept builds on insights from organizational sociology, and aims to conceptualize the variegated impact of apparently similar challenges on the strategic capacities of trade unions across countries. The industrial relations systems endow trade unions with capacities to pursue a variety of strategies. The core strategies of a union, however, are the particular strategies a union organization pursues to represent the interests of their constituencies. The core strategies fulfil a crucial function for unions since trade unions are ‘universally organizations for the representation of interests’ (Hyman, 1996: 55). The core strategies are thus the central means by which unions seek to prove their specific claim to representativeness, whether its scope is class, region, industry or company (see Streeck, 1993).

Since unions’ core strategies are the very means to prove their claim of representing workers’ interest union organizations are sensitive to developments impairing their capacities to pursue their core strategies successfully. Therefore, the central assumption is the following: The more a challenge impairs a union’s capacities to successfully pursue its core strategies the higher the priority the union assigns to addressing the challenge. Under conditions of scarce resources a higher intra-union priority means more resources are devoted to the challenge. These thoughts build on organizational sociology. Changes in an organization’s environment are by definition ambiguous; they require interpretation (see March and Olsen, 1994). Therefore, organizations permanently monitor and evaluate the impact of their own actions on their environment (see Argyris and Schön, 1978; 3).}

3 Note that the use of the notion ‘strategy’ departs from its common use in sociology and game theory where it is typically associated with conscious, rational decisions based on an instrumental and a long-term perspective (see Crow, 1989). Unions aim at serving instrumental goals by pursuing their core strategies (the representation of the interests of their constituencies) but the content of the strategy itself is deeply embedded in habitual and routine practices. Sociologically, union organizations are not uniform actors. The strategic responses of trade union organizations are the product of social processes consisting of reproductive and transformative behaviour by individual members of the organizations who are enabled and constrained by formal organization structures and norms of ‘appropriate’ behaviour.
Hajo Holst – Trade Unions and Call Centres in Austria and Germany

Trade union organizations perceive their environment mainly through the lenses of their core strategies which are embedded in norms of ‘appropriate’ behaviour. Sociologically, union organizations are not uniform actors. A union’s pursuit of its core strategies is the outcome of coordinated behaviour of its individual members being enabled and constrained by formal organization structures, norms of intra-organization and norms of ‘appropriate’ behaviour (see March and Olsen, 2005).

Whether union organizations respond to challenges by reproducing their core strategies or by revising their strategies is the outcome of potential internal conflicts, and thus an empirical question. Here, the concept of union core strategies is applied in an attempt to understand the strategic behaviour of unions as organizations and therefore to ‘contextualize’ the cross-country comparison of unions’ strategic responses to the emergence of the call centre sector. The strategic responses of union organizations are enabled and constrained by the institutions of the industrial relations system and the impact of the challenge on their capacities to successfully pursue their core strategies.

The next section discusses Austria and Germany’s industrial relations systems’ institutions and the inherited corporatist traditions of wage bargaining in order to identify the core strategies of unions and the conditions of their successful pursuit. It will be shown that German and Austrian unions formally pursue the same core strategies: negotiating sector agreements. However, the strategic capacities of unions to pursue their core strategies successfully are contingent upon different foundations in both countries, thus making the strategic capacities of Austrian and German unions vulnerable to different developments.

Union Core Strategies in Austria and Germany

In industrial relations research Austria and Germany are known as the prototypes of the so-called dual system of interest representation (see Traxler, 1998; Jacobi et al., 1998, Endruweit et al., 1985). Due to a division of work between unions and works councils, collective bargaining on the sector level is the exclusive domain of trade unions (Tarifautonomie). Albeit formally independent from each other a symbiotic relationship

Note that even radical ‘revitalization’ efforts such as the introduction of the organizing-model in American trade unions can be analytically understood as the strategic responses of bureaucratic organizations to the specific crisis of the union organization. The perception that established core strategies are exhausted is thus a necessary precondition for radical ‘revitalization’ in Voss and Sherman’s (2000) sense of ‘breaking the law of oligarchy’
between works councils and trade unions characterized the post-war period in both countries (Schmidt and Trinczek, 1999: 107). Additionally, current trends towards greater flexibility point in the same direction: Austrian and German unions both have been pushed and pulled to relocate competencies to the firm-level and to strengthen the influence of works councils (Baethge and Wolf, 1995).

While trade unions pursue similar core strategies the conditions of successful strategic action differ in both countries. This argument can be illustrated by differences in the outcomes of collective bargaining. First, bargaining coverage in Austria is significantly higher and more stable than in Germany. While the system of collective agreements is still virtually all-encompassing in Austria (more than 95 percent), bargaining coverage declined in Germany throughout the 1990s to 68 percent (OECD, 2004: 145). Second, despite the all-encompassing scope of collective agreements, wage dispersion both in terms of contractual and real wages throughout the post-war period has been significantly higher in Austria than in Germany (Wallerstein, 1999: OECD, 2004: 141).

Both differences can be traced back to the inherited corporatist tradition distinguishing Austria from Germany. In Austria obligatory membership of employers in the economic chamber (WKO) secured the encompassing nature of collective bargaining. Austrian employers cannot leave the employer association in order to bypass existing collective agreements; therefore the erosion of the system of sector agreements is institutionally prevented. While German unions are mainly fighting defensive struggles, Austrian unions have been successful in bargaining new agreements for new economic sectors (see Hermann and Flecker, 2006). The greater wage dispersion in Austria is the result of ‘pattern bargaining’ orientated towards general economic goals such as productivity growth and employment security (Traxler, 2001; see Rosner, 1999). Wage equality was never high on the union agenda. Furthermore, compared to Germany the industry-principle is much less dominant in Austrian unionism. The peak association (ÖGB) of Austrian unions enjoys considerable autonomy and power over its affiliates. Moreover, a powerful white-collar union (GPA) exists alongside blue-collar unions. Although the unions cooperate closely blue and white-collar workers in most companies are subject to two different collective agreements signed by different unions. By pursuing a productivity-oriented bargaining strategy based on wage restraint Austrian unions contribute to the legitimacy of the encompassing nature of collective agreements. In Germany the outcomes of collective bargaining are to a great extent determined by
intra-sector economic dynamics such as worker mobilization and economic growth (see Bispinck, 1993: 60f.).

To summarize, negotiating industry agreements are the core strategies of both Austrian and German unions. However, in contrast to Austria where the process of negotiating industry agreements is at least partly a politico-administrative process, in Germany it is a purely industrial endeavour. In Germany collective bargaining is almost exclusively dependent on intra-sector dynamics (mobilization of core workers, sector growth). The capacities of German unions to pursue their core strategies are contingent upon mobilizing core workers within sectors for industrial action. Austrian unions are less dependent on the support of core workers. The bargaining process is to a certain extent autonomous from intra-sector developments and more contingent on general political-economic dynamics (obligatory membership in WKO, general economic development). These differences have an impact on the particular vulnerabilities of union core strategies in both Austria and Germany. Since intra-sector dynamics have a significantly higher impact on the fate of unions in Germany than in Austria we can expect unions in both countries to react differently to similar political-economic challenges associated with the evolution of the call centre field.

3. The Formation of the Call Centre Sector in Austria and Germany

In both Austria and Germany, data on the call centre field is scarce since the emerging call centre sector is not yet covered by official statistics. According to recent estimations, the German field currently consists of approximately 5,000 call centres, employing 330,000 workers (DDV, 2005; see Holtgrewe, 2005); while in Austria there are between 400 to 500 call centres, employing 30,000 workers (Schönauer, 2005: 3). Other sources confirm these estimations (Datamonitor, 2002a, 2002b). Thus, in both countries employment in call centres accounts for roughly 1 percent of total employment. The similar relative size of the sector in Austria and Germany facilitates meaningful comparison.

The following section discusses the historical development of the emergent call centre sector in Austria and Germany. The potential challenges to trade unions’ strategic capacities are mapped by applying a market sociological approach inspired by the new
economic sociology (for an excellent collection, see Dobbin, 2004; as well Bourdieu, 2005). The description focuses on the competitive relations between the organizations comprising the emergent sector. Since outsourcing to subcontracting call centres is an important driving force in the process of sector formation, it is important to distinguish two dimensions of competition: first the competition between internal and subcontracting call centres and second, competition among subcontractors for clients.\(^5\) Note that the first dimension of competition constitutes a particular challenge to Austrian and German unions since it is crossing the boundaries of established sectors as bargaining domains. Three parallel periods of sector formation can be identified in both countries, each characterized by specific competitive relations within the call centre sector: sector establishment, sector expansion and sector consolidation.

**Establishment period:** The establishment period of the call centre sector started in both countries with the introduction of ACD-technology (Automatic Call Redistribution) in 1990. Internal call centres were the dominant type during the early years; the segment of subcontractors was rather small in both countries. The overall growth rates were limited and employment effects were small. In 1995, less than 50,000 workers were employed in German call centres (DDV 2005); employment in Austrian call centres was equally marginal (see Böhm et al. 1999: 34f.). Consequently, competition had a rather low intensity on both dimensions. There was neither intense price-competition between internal and subcontracting call centres nor amongst subcontractors. Thus, there were few pressures on wages in any of the different types of call centres.

**Expansion period:** The development of the call centre sector changed its dynamic in both countries the second half of the 1990s (see Holtgrewe, 2005: 8; Schönauer, 2005: 12). Growth rates accelerated particularly around the millennium. Three factors triggered the rapid expansion of the call centre sector: first, the introduction of CTI-technology (Computer Telephony Integration); second, the political liberalization of telecommunications; and third, a shift in corporate governance stressing flexibility and cost reduction. Outsourcing of repetitive, simple call centre services grew rapidly in volume as a means to externalize pressures for flexibility and cost reduction (see

\(^5\) A similar distinction was made by Max Weber who analyzed markets in terms of two interdependent dimensions of social relations: the social relationship between exchange partners (‘interest struggle’) and the relationship among competitors (‘competition struggle’) (Weber, 1980: 58; 382-385). Contemporary economics usually refers to the first dimension of competition as the ‘make or buy’ decision (see Williamson, 1975 for the seminal description).
The expansion of the emerging call centre sector was mainly an expansion of the segment of subcontracting call centres which significantly increased the share of subcontractors within the total number of call centres. Competition intensified in both dimensions: between internal and subcontracting call centres in sectors such as telecommunications, retail, finance and tourism as well as among subcontractors. Moreover, competition was mainly (labour) cost-oriented which placed considerable pressure on wages in both internal and subcontracting call centres.

**Consolidation period:** Consolidation followed a short but severe crisis characterized by numerous bankruptcies of subcontractors in 2001/2002 in Germany and 2002/2003 in Austria. Growth rates declined but remained stable at a moderate level. Subcontractors aim at establishing stable, long-term relationships to their clients. Particularly in telecommunications but in other sectors as well relatively stable production networks consisting of internal call centres and various subcontractors evolved. Due to encompassing outsourcing of simple and repetitive call centre services the remaining internal call centres produce high-quality services or deal with sensitive information. Additional outsourcing concerns more complex and, thus, trust-dependent services (business process outsourcing) and new sectors such as pharmaceuticals or the energy sector. Thereby, the competitive relations between internal and subcontracting call centres changed their focus to quality. Labour costs were no longer the most important determinants of competition between internal and subcontracting call centres, thus reducing the pressure on wages in the remaining internal call centres. At the same time, competition among subcontractors was still mostly cost-oriented leading to continuous pressures on wages in subcontractors.

To sum up, the extent of interactions between the organizations comprising the call centre sector increased significantly in the course of the sector formation, as did the mutual awareness. Concerning the political-economic challenges to Austrian and German trade unions’ strategic capacities, each period potentially constitutes a distinct challenge due to the variegated competitive relations. In the establishment period competition was low on both dimensions. In the expansion period competition in the call centre sector was characterized by severe price competition between internal and subcontracting call centres and among subcontractors making labour costs the primary factor of competition. In the consolidation period the competition between internal and subcontracting call centres changed its character towards a focus on quality issues, thus decreasing the
significance of labour costs for the competition. However, competition among subcontractors remained cost-oriented and focused on labour costs.
4. Union Strategies towards Call Centres in Germany

Sector Establishment (up to 1995)

In general, German unions assigned a very low priority to the establishment of call centres in the mail order business and in telecommunications during the early 1990s. Neither HBV nor DPG pursued a distinct call centre strategy nor did they dedicate significant resources to unionizing activities. The establishment of call centres did not mitigate the strategic capacities of both unions in their respective domains. While HBV’s strategic response in retail can be classified as ‘tacit acceptance’ DPG’s response in telecommunications resembled ‘business as usual’.

In terms of collective bargaining the German mail order business is part of the retail sector. Contrary to other sectors, subcontracting and spinning-offs were quite common in the mail order business in the early 1990s. The joint venture of one of Germany’s largest telemarketing companies and a subsidiary of a leading mail order company can serve as an example. The mother company outsourced its order hotline in 1993 to a new company which did not join the employer association as a means of bypassing the sector agreement in retail. The new company did not only pay lower wages but resorted to freelance work to increase flexibility and to reduce labour costs (Int. HBV, Int. DPG). It is significant to note that the new company later became one of the largest subcontractors in Germany.

Although outsourcing to subcontractors was prevalent in the mail order business, call centres received a low intra-union priority in HBV’s retail domain since the mail order business only represented a small segment of the retail sector (approximately 5 percent). Therefore, outsourcing to subcontractors did not significantly change the competitive relationship within the union’s bargaining domain. Outsourcing and escaping from collective agreements in the mail order business did not affect HBV’s strategic capacities in collective bargaining in retail. On the contrary, since outsourcing prevented core workforces from unpopular night and weekend shifts (see Holtgrewe and Kerst, 2002) it may have helped to stabilize the sector agreement in retail.

The situation in telecommunications was different. Until 1996 the sector was dominated by a public authority. Thanks to its close ties with the staff councils, DPG managed to exercise considerable influence on the local work organization in the newly established internal call centres. Although some atypical employment, with the risk of turning precarious, existed even within the confines of the public authority, internal call centres
did not have a high priority within the DPG. The union’s aim was to prevent new work organization and technology from having negative effects on workers. This goal could be achieved without unionizing the call centre workers. DPG included ‘qualitative’ issues in collective bargaining such as screen work and performance control.

**Sector Expansion (1996-2001)**

The situation changed during the expansion period. Particularly, the DPG responded to the changing competitive relations in its main domain, the telecommunications sector, by significantly increasing the priority of call centres. The union aimed at organizing workers in internal and subcontracting call centres to regain lost strategic capacities. In contrast, HBV continued its passive stance towards call centres in the mail order business.

The deep segmentation in the *telecommunication sector* between the former monopolist Deutsche Telekom (DT) and new rival companies was reflected in a similar split in the strategies pursued by DPG. The union continued its consultation strategy with works councils in highly unionized DT companies in order to influence the implementation of new call centre technology on the local level. Simultaneously DPG implemented resource-intensive unionizing projects in the new rival telecommunication companies. The intense price competition between subcontracting and internal call centres resulted in strong pressures on wages in internal call centres. DPG’s strategic capacities in collective bargaining at DT were severely impaired. In order to prevent cost competition between the segments in telecommunications from further mitigating its strategic capacities, recruiting workers in the new companies became a strategic imperative.

In 1999 DPG established a recruiting project directed towards call centres in telecommunications. The union spent considerable resources on organizing workers in internal and subcontracting call centres. The project implemented a three-step strategy in order to unionize subcontractors: establishing works councils, negotiating company agreements with market leaders, and negotiating a sector agreement for subcontractors by which ‘social dumping’ could be forestalled (Dürotin, 1999). However, the project did not restore DPG’s strategic capacities in the telecommunication call centres since the project did not manage to recruit a significant number of workers. In the light of its low organizational basis, DPG and later Verdi had to revert to negotiating social compensation plans and transition periods when confronted with outsourcing.

While call centres in the telecommunications sector enjoyed a significant increase in
intra-union priority during the expansion period the priority of call centres in retail remained low. HBV and DAG did not dedicate significant resources to call centres in the mail order business nor did they pursue a distinct organizing strategy. Despite the passive approach of both unions to call centres, HBV and DAG finalized a company agreement on call centres in the mail order business with one of the largest German mail order companies. However, the agreement was an outcome of union weakness rather than union strength. The management threatened to outsource all of its internal call centres if the union did not agree on a company agreement that adjusted the sector agreement in retail to meet the company’s needs (Int. HBV). Due to the lack of membership the unions’ strategic capacities in the negotiations was weak; thus by agreeing to concession bargaining HBV and DAG managed to stabilize the sector agreement in retail. In the context of the union merger in 2001, Verdi even managed to extend the company agreement to a regional sector agreement for call centres in retail. Verdi aimed at preventing cost competition between internal and subcontracting call centres in retail by opening the agreements to subcontractors operating in retail. However, due to the lack of membership in subcontracting call centres no company could be pushed to enter the agreement.

Sector Consolidation (since 2002)

While call centres experienced an increase of their intra-union priority during the expansion period their priority dropped again in the consolidation period. Verdi stopped dedicating significant resources to unionizing call centres and assumed a rather passive role. The altered competitive relationship between internal and subcontracting call centres in various sectors, particularly in telecommunications, eased the pressures on Verdi’s strategic capacities.

In telecommunications Verdi continued its technological consultation policy in DT companies but due to sever financial problems stopped its, mostly unsuccessful, unionizing efforts in subcontractors. Verdi’s strategic capacities in call centres in both segments of the telecommunication sector were rather low due to the lack of members. Confronted with outsourcing in DT companies and their rivals, Verdi’s opportunities were limited to negotiating transition periods and compensation plans. In recent restructuring plans at DT intra-union priority of DT call centres might increase in the near future. DT’s management aims at restructuring its internal call centres to reduce labour
costs. Furthermore, low wages in subcontractors are used by the management to pressure unions into accepting lower wages in DT call centres. At the time of writing this paper, the outcomes of these processes were still undecided.

Similar to the previous periods, call centres in the mail order business enjoyed a low intra-union priority. The above mentioned regional sector agreement still formally exists but has turned into a rather hollow agreement. Employers in retail are frequently spinning-off their call centres and the new companies are not joining the regional employer association. In practice, the sector agreement is no more than a company agreement. Retrospectively, the generalization of the company agreement in 2001 can be seen as a symbolic act.

The union merger in 2001 changed German unions’ organization structures for subcontractors. In general, the merger strengthened the sector logic (see Keller, 2004). As of 2001 subcontractors constitute a distinct union domain within the department of ‘miscellaneous services’, hence subcontractors are organizationally separated from call centres in other sectors. Not surprisingly, Verdi’s goal is to negotiate a sector agreement for subcontractors; however financial resources for unionizing subcontractors are small. Due to the combination of low membership in subcontractors and the union’s financial crisis, the union’s strategic capacities are rather limited. The financial crisis of the organization constrained intra-union redistribution of resources which is a necessary precondition for organizing a previously un-unionized field. Despite its problems the union managed to finalize a company framework agreement (Rahmentarifvertrag) with one of the leading subcontracting companies, Walter Telemedien. The central component of the agreement is an annualized work time record serving the interests of both employers and workers. However, further success is unlikely without the allocation of new resources to organizing efforts, and upgrading the intra-union priority of call centres.

5. Union Strategies towards Call Centres in Austria

Sector Establishment (up to 1997)

The strategic responses from Austrian unions differed remarkably from their German counterpart’s responses. Compared to Germany, call centres in Austria fell exclusively into the domain of the white-collar union the GPA. In general, GPA responded rather pre-emptively to the emergence of call centres within the various sectors. It assigned
medium priorities to all three segments of the call centre field during the early stages of field formation.

GPA was confronted with subcontractors as early as 1996. Following the procedures of social partnership the government invited the GPA and the WKO to issue statements on an exemption for call centres from the prohibition of weekend and holiday work. The request for exemption was filed by a German subcontractor planning to open a branch in Salzburg (see Böhm et al., 1999: 13-15). GPA initially rejected the request making its consent contingent on the establishment of a works council in the new company and the general incorporation of subcontractors into the system of collective agreements. In March 1997 the Austrian government issued an exemption for call centres from weekend and holiday work.

Simultaneously, GPA had begun negotiations with its bargaining counterpart over the incorporation of subcontractors into the encompassing system of collective agreements (Böhm et al., 1999: 15). Both GPA and the employer association lacked experience with call centres. Therefore a representative of the German subcontractor participated in the negotiations and its Austrian branch later became one of the first subcontractors in Austria. In a rather administrative fashion the bargaining partners agreed to incorporate those call centres not covered by other sector agreements into the rather unspecific agreement for the so-called ‘trade’ sector (KV Allgemeines Gewerbe). Thus, since 1998 Austrian subcontractors are covered by a collective agreement.

GPA pursued a similar pre-emptive bargaining strategy in the liberalized telecommunication sector. In 1998 GPA and the postal union for the public service sector negotiated a collective agreement for the so-called ‘alternative’ telecommunication companies. The agreement extended central provisions such as wages, weekly work time and wage groupings of the agreement for the former state monopolist Telekom Austria (TA) to the new rival companies. The agreement covered not only the rivals of TA but TA’s subsidiaries, and thus most internal call centres in the telecommunications sector. The union successfully exerted political pressure for a legal regulation that prevented companies controlled or owned (more than 50 percent) by TA to depart from the telecommunication agreements. In other sectors Austrian unions did not have any means of impeding spin-offs to switch to a ‘cheaper’ collective agreement. Companies were automatically subsumed into a collective agreement according to their affiliation to one of the subunits of WKO.
Similar strategies were pursued by GPA in the *mail order business*. In 1999 GPA and WKO created a collective agreement for call centres in the mail order business based on the collective agreement for retail. GPA hoped to prevent outsourcing by adjusting the sector agreement in retail to the specific needs of call centres (GPA 1999). Retrospectively, the agreement was a mere administrative act as it currently does not cover more than 100 or 200 workers. As in Germany, the mail order business is an important sector for subcontracting call centres.

**Sector Expansion (1998-2002)**

GPA’s strategic response to the expansion of the call centre field displayed remarkable continuity. GPA annually re-negotiated the sector agreements which it had concluded rather pre-emptively during the establishment period. While intra-union priority of German call centres increased during the expansion period due to the intense competition between internal and subcontracting call centres, similar competitive relations did not cause the GPA to increase the priority of call centres in a similar manner.

In Austria the establishment of several new *telecommunication* companies and the subsequent sector growth occurred against the backdrop of a previously existing sector agreement. GPA and the employer association annually re-negotiated the collective agreements, including annual wage increases according to general productivity developments. Recruiting workers in the telecommunications call centres was not a union priority. GPA’s strategic capacities in telecommunications collective bargaining were not impaired by either increased outsourcing in the telecommunication sector or subsequent cost competition between internal and subcontracting call centres. The topics that featured prominently on the bargaining agenda were: flexible work time provisions and technological developments. GPA closely cooperated with unionized works councils to influence the implementation of technological change on the plant level (see Angerler, 1999:25-29). The long-term goal of the GPA was to negotiate a unitary sector agreement covering both TA and its rivals, thus simplifying the bargaining process. Two distinct agreements for TA and its rivals still exist today.

Closely intertwined with the development in telecommunications was GPA’s strategic response to the expansion of *subcontractors*. Contrary to the German experience, the boom of subcontractors in Austria took place within the context of their integration into the encompassing system of collective agreements. GPA’s long-term goal was to
negotiate a specific call centre sector agreement but employers did not show a high degree of interest. Therefore, GPA continued to re-negotiate the sector agreement on the so-called ‘trade sector’. Wage increases in the various sector agreements displayed remarkable similarities since wage bargaining in general was based on a productivity-oriented wage policy. The strategic capacities of GPA were not impaired by cost competition between internal and subcontracting call centres, nor did the incorporation of both segments into the encompassing system of collective agreements prevent cost competition between companies. A study of the regional call centre field in Salzburg revealed that particular subcontractors bypassed collective agreements by replacing their regular workforces with self-employed workers in order to reduce labour costs. In 1999, 77 percent of the workers in subcontractors were self-employed and holding a free-service contract (Böhm et al., 1999). In most companies only the management held a regular employment contract.

The free-service contract (*freier Dienstvertrag*) is an Austrian peculiarity. It was introduced into social security law by the government and the social partners in 1998 in order to include freelance workers into the social security system (Pernicka, 2005: 216ff.). However, employers in call centres use it as an intra-plant means to bypass collective agreements since collective agreements only apply to dependent workers. Employees holding a free-service contract are excluded both from collective agreements and from basic labour law provisions such as sick-pay leave and unemployment insurance. Thus, subcontractors resorting to the free-service contract are formally subject to collective agreements but the majority of their workforce is excluded from them.

GPA formally protested against the evasion practices of subcontracting call centres and claimed that the use of the free-service contract in call centres is a form of false self-employment (see Angerler, 1999: 23f.). However, GPA did not assign a high priority to its struggle against the evasion practices of subcontractors. In general, dependent self-employed workers did not enjoy a high priority although GPA reformed its organization structure in 2000 and established a distinct interest group for the representation of the interests of dependent self-employed workers. The union’s official position was that dependent self-employment in call centres represents illegal, fake self-employment. Therefore, the interests of the dependent self-employed were not incorporated in collective bargaining (see Pernicka, 2005). The union activities for the self-employed were limited to legal assistance. From the perspective of the union the
incorporation of subcontractors into the overall system of collective agreements represented a success. However, the agreements did not prevent intense cost competition between internal and subcontracting call centres, but did impair work and pay conditions particularly in subcontractors.

Sector Consolidation (since 2003)
As found in the two previous periods, during the consolidation period Austrian unions displayed a high degree of continuity in their strategic responses. GPA annually re-negotiated the respective sector agreements on telecommunications, mail order business and the so-called ‘trade sector’. The intra-union priority remained stable as well. However, evasion practices in Austrian call centres also continued. Today, more than 70 percent of all subcontractors and 20 percent of all internal call centres in Austria resort to the free-service contract. The importance of these evasion practices is illustrated by the fact that on average employers resorting to the free-service contract employ more than 80 percent of their workforce as self-employed (Schönauer, 2005: 36f.).

Until recently employers did not encounter a great deal of resistance by the union. However, in the summer of 2006 GPA started a call centre campaign aimed at organizing workers in both internal call centres and subcontractors. Together with the social insurance agencies, GPA pushed for a legal test case concerning the eligibility of using free-service contracts in call centres. The social insurance agencies pushed for a legal test case because employer contributions to the social security systems are significantly lower for all forms of self-employment than for standard forms of dependent employment. GPA’s campaign was initiated by the interest group for dependent, self-employed workers which improved its position within the union by contributing to the union’s core strategy. Responding to the pressure of the social insurance agencies and GPA’s public campaign, some employers advocate negotiations on a specific collective agreement for call centres (Int. GPA). The outcome of the process is still undecided. Due to the institutional support for collective bargaining it is very likely that a specific collective agreement for call centres will be concluded in the near future. However, GPA’s strategic capacities within collective bargaining are rather low due to the union’s lack of members in subcontractors.
6. Conclusions

The comparison between trade unions’ strategic responses in Austria and Germany to the emergence of the call centre sector reveals a surprising degree of variation. Despite overall similarities in the industrial relations systems and the uniformity of the emergence of the call centre sector the unions’ strategic responses varied considerably in terms of the institutional outcomes, the intra-union priorities and the timing. The research design facilitated both intra-country and cross-country comparison of the strategic responses. Table 1 summarizes the empirical findings. The conclusions will start with intra-country comparisons focusing on what German and Austrian unions did and what the unions did not do. Particular attention will be paid to the impact of the change in competitive relations on the capacities of unions to successfully pursue their core strategies. Subsequently, the results from the research will be used to draw general inferences on Austrian and German unionism and their respective industrial relations systems.

Intra-country comparison of the Austrian case reveals a remarkable level of uniformity across the segments. During the three periods and in the three segments the intra-union priority did not differ. GPA pursued an active, rather pre-emptive strategy in all three segments. Particularly striking is the successful incorporation of subcontracting call centres into the all-encompassing system of collective agreements. As a leading GPA official put it: ‘First came the collective agreement, and then came the employees.’ GPA and its bargaining counterpart WKO negotiated a collective agreement for subcontractors before that segment had significant employment effects. Since then, annual wage increases were negotiated within the framework of ‘pattern bargaining’, leaving the wage differences between the agreements virtually unchanged.

Another striking finding in the Austrian case is that during the three periods the variegated competitive relations had no influence on the strategic responses of Austrian unions. GPA and its bargaining counterpart WKO annually negotiated wage increases according to the general productivity development, whether or not there was any competition between the internal and subcontracting call centres (establishment period), intense price competition both between internal and subcontracting call centres and among subcontractors (expansion period), or quality competition between internal and subcontracting call centres (consolidation period). Note that the wage differences between the agreements were the primary driving force of price competition between internal and subcontracting call centres. The variegated competitive relation within the
market had no impact on the capacities of the unions to successfully pursue their core strategies. Due to employer’s obligatory membership in WKO and ‘pattern bargaining’ the strategic capacities of Austrian unions are institutionally insulated from competitive pressures on the call centre market.

Tab1. Union Strategies in Austria and Germany compared.

<table>
<thead>
<tr>
<th>Establishment strategy</th>
<th>AT</th>
<th>GER</th>
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<tbody>
<tr>
<td></td>
<td>telecom retail (mail order)</td>
<td>sub-contractors</td>
</tr>
<tr>
<td>Strategy</td>
<td>tacit acceptance</td>
<td>tacit acceptance</td>
</tr>
<tr>
<td>Priority</td>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>Pre-emptive incorporation into system of sector agreements</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>Pre-emptive incorporation into system of collective agreements</td>
<td>medium</td>
<td>medium</td>
</tr>
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<tr>
<th>Expansion strategy</th>
<th>AT</th>
<th>GER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>telecom bargaining (annually)</td>
<td>sector bargaining (annually)</td>
</tr>
<tr>
<td>Strategy</td>
<td>organizing project</td>
<td>ignorance but company agreement due to employer initiative</td>
</tr>
<tr>
<td>Priority</td>
<td>high</td>
<td>low</td>
</tr>
<tr>
<td>Priority</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>Priority</td>
<td>medium</td>
<td>medium</td>
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<tr>
<th>Consolidation strategy</th>
<th>AT</th>
<th>GER</th>
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<tbody>
<tr>
<td></td>
<td>sector bargaining (annually)</td>
<td>sector bargaining (annually)</td>
</tr>
<tr>
<td>Strategy</td>
<td>ignorance</td>
<td>ignorance</td>
</tr>
<tr>
<td>Priority</td>
<td>low</td>
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</tr>
<tr>
<td>Priority</td>
<td>medium</td>
<td>medium</td>
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<tr>
<td>Priority</td>
<td>low</td>
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</table>

Intra-country case comparison within Germany reveals variation on both dimensions: the three periods of sector formation and the three segments. Variation of the strategic responses during the three periods of sector formation can be explained by the variegated
competitive relations in the three periods. Contrary to the Austrian unions, German unions did not respond to call centres during the establishment period. In all segments the unions’ responses can be classified as ignorance or tacit acceptance. The intra-union priority of call centres did not increase before intense price competition between internal and subcontracting call centres impaired the capacities of German unions to successfully pursue their core strategies. This inference can be drawn from the subsequent decrease of call centres’ intra-union priority during the consolidation period when competition among subcontractors began focusing on quality. Thus, the strategic capacities of German unions are particularly vulnerable to competition crossing the boundaries of established bargaining domains.

The variation between the segments is as striking as the difference between the periods. While DPG responded to the price competition between internal and subcontracting call centres in telecommunications, HBV did not respond to similar competitive relations within retail. The difference can be explained by the variegated impact of price competition on unions’ capacities to successfully pursue their core strategies. DPG’s strategic capacities in telecommunications collective bargaining were mitigated by employers’ demands for downward adjustment of labour costs in internal call centres. In retail, cost competition between internal and subcontracting call centres did not have the same effect on the union’s strategic capacities. Call centres in retail are mainly limited to the segment of the mail order business which itself is only a small segment of the bargaining domain (approx. 5 percent). The impact of cost competition in the mail order business had only minor effects on collective bargaining in retail.

Cross-country comparison reveals that unions in both countries responded to the challenges posed by the emergence of call centres according to the capacities endowed by the industrial relations system and the variegated impact of the challenges to unions’ capacities to successfully pursue their core strategies. Unions in both countries attempted to regulate the work and pay conditions in call centres with collective agreements. Without a doubt, the similar contents of the strategic responses can be traced to the respective institutions of the industrial relations systems in both countries. The Austrian case is an example of institutional reproduction. By successfully incorporating call centres into the all-encompassing system of collective agreements Austrian unions reproduced the institutions of the Austrian industrial relations system. In contrast, the German case is an example of institutional erosion. The growing segment of
subcontractors is but one example of the declining bargaining coverage. The German industrial relations system is eroding from its margins. It is empirically remarkable that in facing their failure German unions did not revise their strategies. Alternative strategies were proposed but did not succeed in intra-union decision making. Thus, both success in Austria and failure in Germany reinforced the intra-union status of the core strategies.

Despite their apparently similar content, the core strategies of Austrian and German unions differ remarkably. It is important to note that union as strategic organizations in both countries responded to the impact of call centres on their capacities to successfully pursue their core strategies rather than to the low pay and work conditions found in the subcontracting call centres. Austrian unions did not increase the intra-union priority of call centres when evasion practices in subcontracting call centres led to an aggravation of the work and pay conditions for call centre workers. Similarly, German unions did not respond to the aggravation of work and pay conditions within call centres in retail due to the intensified cost competition.

The differences in priority and timing of the strategic responses can be explained by the variegated impact the emergence of the call centre sector had on the strategic capacities of unions in Austria and Germany. The strategic capacities of trade unions and the economic development within the bargaining domains are more closely linked in Germany than in Austria. German unions need members in the companies comprising the bargaining domain to force employers into collective bargaining, Austrian unions do not. Moreover, bargaining outcomes in Germany strongly reflect the economic development within the bargaining domain. In contrast, due to institutional support and ‘pattern bargaining’ the strategic capacities of Austrian unions are relatively independent from the membership base and the economic development in the individual bargaining domains. This is reflected in the significantly higher bargaining coverage in Austria.

Unions in Austria have higher capacities to bargain collective agreements but they do not necessarily have higher strategic capacities in collective bargaining. The analysis has shown that unions in both countries did not have means to forestall labour costs becoming the primary factor of competition between internal and subcontracting call centres during the expansion period. A brief comparison of the current wage differences between the segments confirms this argument. In both countries, contractual wages are highest in telecommunications. Annual entry-level contractual wage for full-time work in call centres of TA corresponds to 84 percent of the median net income, compared to 79
percent at DT. The lower wages in Germany are the result of downward pressures of extensive outsourcing. Wages in subcontractors are considerably lower in both countries. The entry-level wage of the agreement for the ‘general trade’ corresponds to 74 percent of the median net income. Due to the lack of collective agreements, wages in German subcontractors are more dispersed but not generally lower (see case studies in Holst et al., 2006). However, holders of free-service contracts in Austrian subcontractors obtain the lowest income. Furthermore, they are not covered by sick-pay leave or holiday remuneration. Thus, evidence suggests that wage dispersion in call centres is higher in Austria than in Germany, despite the higher formal bargaining coverage in Austria.

In conclusion, Austrian and German unionism may appear as birds of a feather, but there are important differences underneath their outward likeness. Trade unions in both countries negotiate collective agreements as their core strategies; however, collective agreements have different political-economic meaning in Austria and Germany. The negotiation process has a more politico-administrative character in Austria while in Germany its character is essential industrial. Sector agreements were considered to be one of the central components of the German model because it forced employers into ‘diversified quality production’. Austrian collective agreements had and still have a smaller impact on the production strategies of Austrian companies. Wage restraint in the form of relatively high wage differentiation across and within sectors is a central component of pattern bargaining in Austria. Compared to their German neighbours, Austrian unions exchange the institutional support of their capacities to bargain collective agreement with consensual restraint in wage bargaining.
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