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## A Service Union's Dilemma: Limitations on Creative Action in German Industrial Relations

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## A Service Union's Dilemma: Limitations on Creative Action in German Industrial Relations

### Abstract

This article examines union responses to the reorganization of call centre work in Germany, drawing on case studies from the telecommunications, financial services and subcontractor industries. Service unions initially adopted innovative strategies to organize these workplaces, response to threats and opportunities presented by the rapid growth of a new 'sector. However, the new conglomerate service union, ver.di, has been unable to sustain these alternative strategies due to both institutional and organizational factors. The increasingly fragmented character the German industrial relations system provides growing exit options for employers, while union is disadvantaged by declining membership, resource scarcity and an organizational structure reflecting past industry (and union) boundaries. Ver.di thus finds itself in an institutionally enhanced innovation dilemma. Sustaining innovations necessary to organize new workplaces would require organizational slack and redundant resources. However, environmental pressures of changing employer strategies and institutional erosion limit the possibilities for mobilizing these resources.

### Keywords

Call centres, financial services, Germany, industrial relations, institutional change, outsourcing, path dependency, telecommunications, trade unions

### Disciplines

International and Comparative Labor Relations | Unions

### Comments

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A service union's innovation dilemma:  
limitations on creative action in German industrial relations

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## Abstract

This article examines union responses to the reorganization of call centre work in Germany, drawing on case studies from the telecommunications, financial services and subcontractor industries. Service unions initially adopted innovative strategies to organize these workplaces, response to threats and opportunities presented by the rapid growth of a new 'sector\*. However, the new conglomerate service union, ver.di, has been unable to sustain these alternative strategies due to both institutional and organizational factors. The increasingly fragmented character the German industrial relations system provides growing exit options for employers, while union is disadvantaged by declining membership, resource scarcity and an organizational structure reflecting past industry (and union) boundaries. Ver.di thus finds itself in an institutionally enhanced innovation dilemma. Sustaining innovations necessary to organize new workplaces would require organizational slack and redundant resources. However, environmental pressures of changing employer strategies and institutional erosion limit the possibilities for mobilizing these resources.

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## Introduction

The diffusion of call centres embodies multiple challenges for unions internationally: the expansion of poorly organized service workplaces and atypical employment forms; the adoption of new outsourcing strategies by management; and the regimentation and standardization of front line work. These challenges are particularly pronounced in Germany. The country's institutional legacy of strong unions, encompassing collective agreements and stakeholder-oriented corporate governance arrangements, were thought to encourage employers to invest in their workforce and cooperate with unions (Hall and Soskice, 2001). However, in recent years bargaining coverage and union density have declined and the traditionally strong nexus between works councils and unions has weakened (Streeck, 2009). Under these conditions, collective bargaining institutions no longer set minimum standards that apply to wider sectors of the economy (Voswinkel and Lücking, 1996), but become part of a fragmented landscape of piecemeal rules.

Research findings to date paint a mixed picture of German unions' ability to respond to these developments. A number of studies have portrayed them as myopically focused on core worker groups and slow to reach out to newer growing segments of the workforce. These scholars argue that the previous strengths of German unions may have turned into liabilities and learning blockades (Hassel, 2007; Visser, 2007) as their recognized institutional position reduces the need and motivation to adopt new organizing approaches (Baccaro et al., 2003). Other research suggests that unions are experimenting with innovative strategies, but with uneven success (Greer, 2008; Vandaele and Leschke, 2010). Disagreement turns on the extent and nature of obstacles to innovation and the changes that would be needed to overcome those obstacles. Under what conditions do unions that have enjoyed a strongly institutionalized position adopt

new approaches to organizing and representing workers? What factors contribute to the success or failure of these strategies?

This article examines union responses to the growth of call centres in Germany since the late 1990s, with the aim of analysing the challenges associated with organizing this new sector and institutionalizing new approaches to regulating these jobs. The frequently standardized and regimented working conditions in call centre establishments and their obvious position outside of traditional industry boundaries encouraged German service unions to adopt innovative organizing initiatives that involved a unique level of cross-union cooperation. However, union representatives found it difficult to sustain these new approaches, and they were largely abandoned following the merger that formed the conglomerate service union *Vereinte Dienstleistungsgewerkschaft* (ver.di). The key puzzle is why this abandonment occurred, given the persistence of the conditions that encouraged these innovations – namely, the growing difficulty of regulating employment in networked workplaces through traditional coordinated bargaining strategies in core firms.

Case studies in the telecommunications, banking and call centre subcontractor industries show that both institutional and organizational factors influenced unions' ability to develop successful responses to changing employer strategies. On the institutional side, the German industrial relations system has undergone considerable fragmentation in recent years, which has undermined collective actors' power bases while enhancing employers' ability to segment labour markets. However, as organizations, unions face choices concerning how to respond to these changes in their environment. This article argues that ver.di's failure to institutionalize the innovations needed to move beyond established patterns of action is explained by the structure and distribution of available resources. Findings suggest that following a brief window of

opportunity, or 'critical juncture', union officials came to perceive new strategies targeting call centre workers as unworkable and exceedingly costly under the constraints imposed both by the shifting environment and new departmental boundaries within ver.di.

The following sections discuss the literature on path dependency and institutional change, with specific reference to its application to recent changes in German collective bargaining and union strategies. The article then examines the different strategic approaches unions have developed towards organizing and representing call centre workers and the challenges they have faced in accomplishing their goals of normalizing these jobs.

### **Path-dependency and strategic action**

Theories of path dependency have gained prominence in debates on both institutional and organizational change in recent years. Institutions and organizational routines can constrain and enable the capacity for action, leading actors to adhere to established modes of organizing. They regulate this capacity, shape expectations and influence the range of strategies available to actors, both cognitively and normatively. The literature on societal effects (Maurice and Sorge, 2000) and studies within the varieties of capitalism literature (Hall and Soskice, 2001) assume along similar lines that institutions encourage actors to select strategies in line with their environment, and that these strategies, in turn, reproduce existing institutions.

These arguments suggest that organizations are largely constrained by their environment and the legacy of past modes of behaviour. Their path dependency may amount to a lock-in to strategies that become increasingly inefficient over time if mechanisms of self-enforcing feedback develop (Sydow et al., 2009). However, organizations also both react to and bring about changes in their environments, as they seek to reduce resource dependence and advance organizational goals (Pfeffer and Salancik, 1978). Management strategy theorists have pointed

out that organizations often avoid or defect from institutions (Oliver, 1991) or try to increase their own strategic options through ‘nibbling away’ at the framework of rules and regulations (Friedberg, 1995: 145). Comparative scholars have argued that institutional change can result from the more or less unintended consequences of organizational actors’ incremental actions (Djelic and Quack, 2003), leading to erosion, dwindling of resources and losses of cohesion. These strategic and incremental changes are interrelated: if institutional configurations lose coherence they may increase the spaces and the rewards for strategic manoeuvring (Streeck and Thelen, 2005), and actors who become more opportunistic will decrease their long-term investment, interest and trust in institutional stability.

Organizational theories are often applied to firms, which are expected to seek competitive advantage through modifying both existing institutions and their own strategies when they are no longer advantageous (Fligstein, 1996). However, changing company strategies often have substantial effects on the constraints and possibilities for action experienced by other actors, including labour unions. Worker representatives in established firms and industries face a particular set of challenges as firms restructure employment and re-draw organizational boundaries. These strategies can have cumulative effects on bargaining coverage and union power, through increasing employers’ options to exit collective agreements and established procedures of negotiation (Doellgast and Greer, 2007). Thus, the continued effectiveness of unions’ past approaches to regulating employment is influenced by interrelated changes in formal institutions, such as labour laws and bargaining rights; and changes in employers’ own structures and strategies (Sako and Jackson, 2006).

Unions respond to such developments in their institutional and political environment in different ways. They may seek to widen their perception of constituencies and issues, explore



organizing strategies and learn from other players in the field (Katz et al., 2003; MacKenzie, 2000). Alternatively, they may reiterate attempts to root their policies in past sources of power, such as traditional constituencies and established rights, rules and modes of distribution, supported by strong identities or inherited traditions (Frege and Kelly, 2003; Hyman, 2001). An important question is why unions choose to go down a particular one of these strategic paths: under what conditions are unions able to break out of established patterns of action, and what factors explain the success or failure of these strategies?

### **Changing union strategies in Germany**

Germany is a particularly good national case for investigating changing union strategies in the face of broader environmental challenges. The German industrial relations system has long been characterized by strong traditions of social partnership, supported by extensive codetermination rights and union bargaining power. Interest representation at the company level can be secured by elected works councils that negotiate agreements on a range of issues, such as performance appraisal and work organization and by worker membership on company advisory boards. Collective bargaining on pay and working time typically takes place at the industry (and regional) level, between industry-based unions – most of which are affiliated with the Confederation of German Unions, the *Deutscher Gewerkschaftsbund* (DGB) – and a large number of employer associations with non-mandatory membership.

The formal laws and bargaining structures underpinning this system have remained relatively stable, but their coverage has eroded dramatically in recent years. While German reunification first led to an increase in unionization, soon afterwards membership and influence declined, with considerable representation gaps in the eastern states (Visser, 2007). Collective agreements increasingly contain ‘opening clauses’ that allow local worker representatives to

exchange wage and working time concessions for job guarantees. At the same time, a growing number of employers are exiting employer associations or moving business to other sectors, and works councils cover a shrinking proportion of the workforce (Addison et al., 2010). The voluntary nature of the German industrial relations system has exacerbated these trends. Unlike most other European countries, Germany lacks both a general minimum wage and effective mechanisms to extend collective agreements to more poorly organized firms and workplaces. In this context, traditional strategies have had limited success in stemming the loss of members and the rapid growth of low wage and poorly regulated jobs (Bosch and Weinkopf, 2008; Royle, 2004).

Comparative scholars have argued that not only do German unions face large structural and institutional challenges, but they have also been slower to innovate in response to these challenges compared with their counterparts in other countries. According to some researchers, German unions' previously strong position has locked them into a reliance on traditional, institutionalized sources of bargaining power, at the expense of organizing new sectors and groups of workers (Baccaro et al., 2003; Hassel, 2007). Others find some adjustment to and expansion of the range of strategies. Greer (2008) demonstrates that local unions have successfully organized public campaigns opposing hospital privatization; Turner (2009) documents recent examples of innovative campaigns that applied Anglo-Saxon organizing techniques (see also Gajewska and Niesyto, 2009); and Vandaele and Leschke (2010) discuss efforts by several unions to organize non-standard workers. However, these studies conclude that the campaigns they describe are exceptional.

This conclusion suggests that while German unions are innovating, they have had varied success, at best, in moving beyond traditional corporatist bargaining arrangements to expand

their power and influence. The present study is distinctive in examining why unions have had such difficulty institutionalizing new approaches to organizing and representing workers, through the lens of a series of campaigns targeting call centre workplaces.

### **The research**

This article explores the development of German service sector unions' strategic responses to the diffusion of call centres from the 1990s onwards. It is based on three related research projects that were carried out between 2000 and 2006 – two studies of call centres in Germany conducted in 2000-2002 and 2004-6 (by Holtgrewe) and a comparative study of telecommunications and outsourced call centres conducted in 2004-5 (by Doellgast). Together, these studies involved over 200 open-ended interviews with call centre managers, works councillors and employees at 21 case study companies (encompassing 27 call centres); as well as union and employer association representatives at both the national and regional level. Follow-up interviews were conducted with key stakeholders between 2006 and 2010 to update developments in major union campaigns and organizing efforts.

Previous publications from these projects focused on developments in the telecommunications industry (Doellgast, 2008, 2009) or on work organization and employment structures (Holtgrewe, 2007; Holtgrewe and Kerst, 2002). The current analysis examines service unions' changing approaches to regulating call centre work over time. We draw on five case studies from the banking, telecommunications and subcontracting sectors to illustrate the challenges posed by shifts in employer strategies, and use findings from the remainder of our case studies and stakeholder interviews to describe industry trends and union strategies.

This diachronic perspective gives a unique window on both the possibilities for unions to engage in innovative action in the face of new challenges and the factors that can inhibit or

reverse this innovation. The unions that now make up the conglomerate service union ver.di experimented with a range of strategies to organize new call centre workplaces and represent call centre workers. However, ver.di's capacity to develop and maintain these new approaches was hampered by the structural constraints of a growing low-wage sector, cost-driven competition within and between sectors, the relative lack and frequent turnover of social partners on the employer side and the structure and distribution of resources within the union.

In the following sections, the interplay of employer and union strategy development is investigated in the banking, telecommunications and subcontractor industries. Then the impact of the merger of five service unions to form ver.di and the development of networked initiatives within the new union are discussed.

### **Employer strategies and union responses**

In Germany, call centres expanded rapidly in the mid- to late 1990s, as managers took advantage of new information and communication technologies to reorganize and rationalize service and sales work. The telecommunications and banking industries were at the forefront of these trends. National and EU legislation in the 1990s contributed to the liberalization of both industries, lowering barriers to market entry, increasing the role of international firms and changing the conditions for incumbent players. Telecommunications firms especially acted as both lead users and providers of services for the reorganization of service delivery.

The German banking industry has traditionally had high collective bargaining coverage due to strong industry-level collective agreements, but low union membership density and a weak tradition of coordinated bargaining between unions and works councils. It is also an industry in which the DGB's service sector unions – led by Handel, Banken, und Versicherungen (HBV) – faced some competition from independent unions or associations of salaried workers.

Telecommunications long represented a contrasting case, in which the Deutsche Postgewerkschaft (DPG) negotiated a single-firm collective agreement with the monopolist Deutsche Telekom and enjoyed strong bargaining power due to protected markets, high union density and close relationships with the company's works councils (Darbishire, 1997).

In the mid- to late 1990s, unions in both industries faced new challenges. In banking, the liberalization and internationalization of financial markets resulted in dramatic changes in the size, ownership structure and strategic focus of major employers. In telecommunications, Deutsche Telekom was privatized and formerly protected markets were gradually opened to full competition by the late 1990s. These changes in markets encouraged firms to adopt new organizational strategies aimed at reducing costs and rationalizing service provision. Large banks began to establish independent direct banks and banking call centres from the mid-1990s outside collective agreements, allowing them to set wage rates below negotiated levels (Arzbächer et al., 2002; Matuschek et al., 2007; Sørensen and Weinkopf, 2009). Deutsche Telekom initially outsourced lower skilled jobs or calls during 'unsocial working times' to third-party call centres with weaker or no union representation, keeping its core work in-house. However, by the late 2000s it had adopted a similar strategy of establishing subsidiaries outside of its core agreements and then renegotiating pay and working conditions in separate company-level agreements (Doellgast, 2008).

The major unions sought to influence these decisions and their effects on the workforce through collective bargaining and some localized new organizing initiatives. They were supported by considerable public attention on the poor working conditions in this new 'sector', which was frequently perceived as emblematic of the flexibility and regimentation in the new, IT-intensive world of work (D'Alessio and Oberbeck, 2002). In addition, works councils

continued to apply their participation rights to regulate working conditions in subsidiaries and subcontractors. As the case studies below demonstrate, these efforts had limited success in the face of declining bargaining coverage and union power.<sup>1</sup>

### **Banking: continuity and heterogeneity**

In the banking industry, unions, works councillors and employee activists in new ‘direct banking’ subsidiaries had to actively struggle to establish the continuity of existing bargaining arrangements or to make new starts in interest representation. By 2010, unions had only succeeded in negotiating a collective agreement with one direct bank, leaving most of these workplaces regulated primarily by works council agreements. Three cases illustrate the different ways in which worker representatives responded to these changes, from cooperation to open conflict.

In Bank 1’s call centre subsidiary, the transition of interest representation was organic: a works council was elected and recognized without opposition and continued to work closely and consensually with management. The call centre’s general manager stated that ‘our works council knows we’re running a call centre’, suggesting that the characteristics of flexible service work required a looser interpretation of bargaining rights laid out in German law. While the works councillors were union members, otherwise union density was ‘close to zero’ in the subsidiary and works councillors did not regard organizing as a priority.

Bank 2’s call centre was also established as part of a new direct banking subsidiary. Employees decided to establish a works council after several months, as they came under increased pressure to meet targets and increase their performance metrics. The initiators talked to several unions and then chose HBV. ‘For the union, [the situation] was like a bank teller in a

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<sup>1</sup> ‘Bank 1’ and ‘Bank 2’ are anonymized case studies; real names are used for the other cases.

branch office who suddenly has this little old lady with a million marks' savings in front of him' (works councillor). However, management was not happy with the idea and, after some delaying tactics, set up an alternative list of candidates. Even the union-sponsored list was not exclusively made up of union members, due to the weak relationship between the union and the works council. After the works council was established, negotiations proved extremely difficult due to ongoing management blockades and infighting within the mixed works council. Finally, the management list's three members stepped down, under the misconception that this would suspend the entire works council. Instead, the union filled the position with alternates from their list. Works councillors described the following period as an ongoing process of 'educating' management. However, this was interrupted when key managers left the centre – a frequent experience in call centres:

After our old management had learned by and by where they needed to involve us, now we're back to saying, okay, this is a restructuring process, so here and there we must be involved. And they don't get that. (Works councillor)

The third case, Citibank, involved a transition from an internal focus on bargaining to a broader networked campaign in which the works council sought to build coalitions with unions and community groups to influence restructuring (Holtgrewe, 2001). Citibank had three call centre locations in Germany with very diverse works councils. In Bochum, the works council took a particularly ambitious and radical stand, styling themselves as the vanguard of global communication and service labour (Oberlindober, 2001) in an Italian autonomist-inspired way (Lazzarato, 1998). Still, they succeeded in making pragmatic gains, negotiating pay increases, increases in paid vacation and leave for students during exam time.

These efforts were interrupted when Citibank decided to consolidate its call centre operations in Duisburg under a new subsidiary, leading to a strike in November 1998 and the

dismissal of the strike activists. The banking union HBV provided only half-hearted support, although local (rather than national) union representatives started a support network involving local left-wing and church groups who called for a boycott of Citibank. Despite these innovations, the campaign had limited public effect and the jobs were moved to the subsidiary as planned. Some of the activists invested their severance pay into a new company, Tekomedia, which offers call centre, consultancy and training services, with a focus on occupational health – effectively providing outsourced and innovative services to unions. Other activists were hired by the new service union ver.di to work on a new organizing initiative, which is described in more detail below.

### **Telecommunications and call centre subcontractors: competition beyond sectors**

In the telecommunications industry, restructuring of call centre jobs in the major incumbent firm, Deutsche Telekom (DT), occurred over a longer time period and involved a more drawn out series of negotiated concessions with the union. DT initially outsourced directory enquiries to the call centre service provider Walter Services in the late 1990s. The union and works councils agreed at the time to support outsourcing in exchange for an extension of job security provisions. Then in March 2004, DT established a new call centre subsidiary, Vivento Customer Services (VCS), to handle its own call centre work and that of external clients. Between 2006 and 2008, DT sold several VCS call centres to Walter Services and Arvato, another subcontractor with no collective agreement, and transferred around 1800 employees to the two companies. Employees moved to Arvato had the terms of their existing collective agreement secured through 2009, after which time managers asked employees to sign individual contracts at a lower pay rate. In 2007, DT shifted its remaining call centre jobs into a new subsidiary (T-Service) and demanded that ver.di renegotiate pay and working conditions.



Ver.di led a six-week strike with strong member support, but eventually agreed to take over reductions and increased working time, with a 30 per cent cut for new employees and increased variable pay, in exchange for an extension of protection against compulsory layoffs and a commitment to not sell the new service subsidiaries until 2010.

Meanwhile, the union had extended its activities to Walter Services, beginning in the late 1990s. This company was targeted because it was one of the largest call centre subcontractors in Germany, set to overtake call centre services from DT and the public sector, and had a poor reputation for operating at the limits of German labour law through employing freelancers. DT's union, the DPG, helped to organize works council elections at Walter, and then its successor ver.di negotiated a firm-level collective agreement, which was the first in the German subcontractor industry. New employee working time accounts were developed, which provided a framework for equalizing employees' working time over the year. However, the collective agreement primarily formalized the terms of agreements previously negotiated by Walter's works councils (Holst, 2008), which had already succeeded in changing the company's policy of employing primarily freelancers.

While employment was thus successfully normalized to some extent, both the union and works councils found themselves negotiating in a deregulated and severely market-driven environment. For example, in areas of management policy where works councils enjoy formal codetermination rights, like performance-based pay or performance monitoring, management refused to compromise, arguing successfully that maintaining client contracts (and thus jobs) required substantial flexibility in both areas. Works councillors reported that they occasionally suspended their powers of codetermination over issues of monitoring in return for negotiations over other issues that were deemed more practical. Only in July 2009, after months of

negotiation and some strike action (*Warnstreiks*) a collective agreement on wages was concluded with base pay starting at €7.50. This represented a considerably lower pay rate compared to that in Deutsche Telekom's in-house call centres and directly and negatively affected the working conditions of the employees transferred to Walter Services after its purchase of former Vivento locations.

### **The ver.di merger: new projects across boundaries**

In 2000, five service unions with roots in both the public and the private sector merged to form the new conglomerate union ver.di. As these unions sought to establish a basis for cooperation, they began to focus on new types of workers and work organization. They adopted joint strategies for organizing call centres that involved innovative campaign tactics and encouraged the establishment of joint projects across traditional union boundaries – mirroring the more networked, cross-industry nature of these workplaces. Resources were devoted to projects addressing 'new' constituencies for the union such as media freelancers, IT employees and call centre workers. The union started a cross-industry project, 'Projekt Multimediabüro', which hoped to transfer the experience of DPG in regulating telephone work at Deutsche Telekom and previously, the national Post Office, to other industries (Müller, 2001).

Efforts to develop higher employment standards and formal qualifications for call centre employees were undertaken at the regional level, in federal states or cities with large concentrations of call centres, and involved joint work with industry associations and economic development organizations. The German union confederation, DGB, led a campaign in the federal state of Nordrhein-Westfalen (NRW) to link regional development subsidies to call centres' ability to meet a certain criteria for job quality and union recognition. In a break with the state's corporatist history, the unions were not originally involved in the government's

‘Callcenteroffensive’, which was part of a policy initiative to attract new media companies to the region. Unions subsequently struggled to establish a voice and role in the initiative. Several unions, including the DPG and HBV, cooperated in drafting a set of criteria for pay and working conditions that could be used as a ‘quality seal’ (Mola and Zimmermann, 2001), which they argued could then be used in marketing efforts by both local economic development agencies and employers. However, the campaign was discontinued due to lack of support from member unions as well as ongoing resistance from the development agencies to working publicly with union representatives. In a similar way, union representatives participated in a regional call centre network in the East German state of Mecklenburg-Vorpommern in the late 1990s, which sought to develop a set of policies that would support both job quality and competitiveness. However, union representatives were marginalized and eventually withdrew from the network.

After ver.di was formed, the union continued to try to work with local and state governments and employers associations to promote more joint work on developing shared employment standards. The lack of a significant union presence in call centres did not help the union’s claims that it should be involved. Indeed, the union had begun to learn that its legitimate participation in regional development policies was no longer a matter of course when the focus was on ‘new economy’ sectors (Holst, 2008).

The SoCa project (Social Design of Work in Call- and Service Centres) is the longest running such initiative in which ver.di has been involved. Unlike the efforts described above, this started at the regional level in Bremen and then expanded to the national level. It was partly funded by the Federal Ministry of Education and Research, following a long tradition of public funding for research on job design in Germany. SoCa conducted surveys of call centre employees on the quality of their work and developed a ‘social benchmarking’ tool that could be

used by employers and unions to evaluate job quality in call centres (Endl et al., 2006). Similar to the other regional projects, however, the goals were rather vague and adoption of the tool by employers was limited.

These initiatives gave unions the opportunity to learn about the particular employment problems faced by call centre workers and the challenges of working with employers in the growing subcontractor industry. However, they failed in their stated goals of establishing core employment and qualification standards in call centres or legitimizing union involvement in setting these standards. Such social benchmarking strategies tend to assume already what they aim to accomplish: that employers are committed to the 'high road' of service quality and interested in creating good jobs to attract highly qualified employees. Case study and survey data have shown that this is often not the case in call centres, which typically operate under strong cost-cutting pressures (Holtgrewe, 2006; Taylor et al., 2002). Most problematically, none of the union's efforts to get involved in regional initiatives and more or less formal standard-setting succeeded in extending collective agreements or increasing union membership.

A second set of projects focused on organizing works councils in new firms and industries through providing them with networking opportunities and services. These were targeted at building bargaining power through increasing union membership and improving the quality of works council agreements. Soon after the merger, the new banking department launched a campaign called 'Fidi.direkt' to establish a network of works councillors and activists in financial services, to negotiate collective agreements and to increase ver.di membership in banking subsidiaries through providing visible, organized services in particular cities or regions where the union already had a presence and member base. However, the relationship between these aims was not clear and the initiative did not move beyond workshops and networking

groups at the regional level, which focused on issues such as improving health and safety and offering training to works councillors. Success in raising membership or improving relations with works councils was minimal. The more confrontational approach favoured by former Citibank activists working on the initiative exacerbated communication problems between the union and works councillors in other banks, who often preferred more individualistic and company-oriented bargaining approaches. Fidi.direkt was discontinued at the conclusion of its contract in 2002, based on the perception that the gains from the project did not justify the cost.

Departments within ver.di have also worked together on a number of smaller projects in cities where call centres are concentrated, but these have, again, proven short-lived. In Hamburg, several ver.di departments set up a working group that brought together works councils from call centres in different industries for regular networking meetings. The project developed a catalogue of *Betriebsvereinbarungen*, the 'works agreements' that works councils negotiate with management, which was then distributed to all members. However, at the conclusion of the project, funding was cut and the network continued to meet only on an informal basis.

In another initiative in Hamburg, the two ver.di departments representing the retail and call centre subcontractor industries sought to jointly establish a call centre specific agreement for retail and mail-ordering call centres in Hamburg. An agreement was eventually negotiated with the large German retail firm Otto, but it included comprehensive opening clauses that allowed works councils to sign agreements with less favourable terms. Although several other firms adopted the agreed compensation structure (although at lower pay rates), they did not bind themselves as co-signatories. While the aim of establishing a collective agreement was reached, critics argued that the union had colluded in weakening existing agreements by shifting

negotiations onto the company level, allowing Otto to avoid the stronger provisions of the retail industry agreement.

### **Unionists' and work councillors' views**

Ver.di's employees and consultants voiced similar criticisms of the union's strategies. New initiatives rarely left the piloting stage. Consultants would frequently be brought in to coordinate a research project or networking initiative, but the union would not commit the resources needed to build institutional capacity beyond the project. It became obvious that each step of establishing works councils from new and non-traditional constituencies, building relationships with them, organizing them and their colleagues, developing networks with other actors in the field and negotiating collective agreements required more time and effort than expected, while yielding smaller gains and forming less of a logical sequence than necessary for a pilot project. Thus, the information gathered and relationships built with works councils were not used strategically to negotiate more encompassing collective agreements or to build bargaining power within firms. During the 'boom phase' of call centre growth in the late 1990s, these new workplaces received a lot of attention in the media and were the target of local economic development efforts. Local unions moved on to other issues as growth slowed and public interest waned, and as union representatives reviewed the rather unimpressive record of these initiatives.

Ver.di's separate department structure made joint initiatives across industries particularly difficult to sustain. The union mirrored the division of industries of its founding unions, dividing its activities into 13 departments, or *Fachbereiche*, that included separate banking and telecommunications departments. Independent call centres were assigned to department 13, which was responsible for 'special services' ranging from the tourism and leisure industries to

facility management and security, temp agencies and consulting. Within ver.di, resources were allocated according to the membership base in the respective industries. Due to a decreasing membership base, funding for cross-industry projects was severely limited. A ver.di representative acknowledged that these initiatives ‘succeeded in overcoming *Fachbereich* egoism’ while they existed. However, all of them were discontinued after their piloting phase due to a lack of measurable success in increasing membership in the short run.

Because budgets for each department were tied to member numbers, there was little incentive to invest in risky organizing efforts at the expense of existing strongholds. At the same time, companies increased their capabilities to move work between sectors and exploit variation in cost and regulation. They thus exposed ‘core workers’ to competition, leading to further variation in the terms of agreements for call centres across sectors. This, in turn, fuelled conflicts between ver.di departments representing these sectors. For example, representatives from ver.di’s ‘special services’ department (13) negotiated the considerably weaker agreement with Walter Services discussed above, after department 13 had taken over responsibility for call centre subcontractors from the telecommunications department. This was viewed as sanctioning the large gap in pay and working conditions between Deutsche Telekom and Walter - and, indeed, this gap was then used by Deutsche Telekom’s management to argue for lower negotiated pay levels at the new call centre subsidiary T-Service that it established in 2007.

A second criticism of these new initiatives was that they primarily focused on the regional level, in a highly mobile industry. Ver.di’s local offices allocated more resources to campaigns in urban regions that had a large concentration of call centres, hoping to reach a large number of actual or potential members. However, these local initiatives faced seemingly insurmountable challenges in building firm-level bargaining power, as subcontractors and other

firms without collective agreements were able to exploit regional differences in wages and costs— particularly those between East and West Germany.

Meanwhile, viewed from the perspective of works councillors in the new call centre ‘industry’, the German industrial relations system served as a set of not quite fitting tools, which they were on the front line of trying to adapt to a new environment. This environment consisted of the multiple challenges of networked work organization, temporal flexibility, immediate market pressures and an occasionally hostile or simply inexperienced management. New works councillors often faced overwhelming demands, continuous challenges to previous agreements and a shift of entrepreneurial risk onto employees. They were undertaking creative action and considerable innovation on the company level, often out of necessity (Jackson, 2005). Works councils’ mode of agency was thus changing towards patterns of localized bricolage that represented collective action on shifting ground, in the face of company strategies of diversification and outsourcing.

### **Conclusion**

Ver.di’s initiatives to extend bargaining power in the new, highly flexible and mobile area of call centre work encountered a range of obstacles. In direct banking subsidiaries, works councils were established, but networking was unable to bridge works councillors’ and activists’ diverse strategies and visions. In telecommunications, outsourcing forced former union strongholds into concession bargaining, while in subcontracting, only minor inroads into collective bargaining could be made. Efforts to build new institutions across industries at the regional and national levels were short-lived and widely viewed as unsustainable. Attempts to develop standards for working conditions and to gain influence in regional development initiatives lacked an institutional environment of social partnership and shared commitment to a



high road of service quality. Despite the ongoing challenges posed by the increasingly networked character of call centres, ver.di primarily settled back into established patterns of firm and industry specific organizing.

The findings from this case study have implications for theories of path dependency as well as for current debates concerning union responses to institutional change. An overarching question is under what conditions organizations respond to changes in their environment by altering their established practices and frames of reference; or, alternatively, become locked in to established (if increasingly ineffective) patterns of action. This article argues that ver.di's failure to develop and sustain successful strategies to organize call centre workplaces was due to the interplay of institutional and organizational factors. The union's past sources of institutional leverage were undermined by national trends of declining bargaining coverage and union membership, as well as firm- level organizational restructuring measures that further weakened established bargaining arrangements. Union representatives recognized and sought to respond to these new threats. However, their long-term success proved limited due to resource scarcity and the constraints of established industry and union boundaries, which were reproduced in ver.di's new structure.

The obstacles ver.di encountered to developing effective new strategies in the face of these challenges cannot be explained solely using theories of path dependency (Sydow et al., 2009) or attributed narrowly to German unions' myopic reliance on past institutionalized forms of bargaining power (Baccaro et al., 2003; Hassel, 2007). The ver.di merger provided a critical juncture when the organization (and activists at its periphery) generated a variety of new projects. Thus, the union's return to established approaches with diminishing returns and eroding capacities for action was not due to a lack of innovative capability or to simple inertia.

Instead, ver.di experienced what can be described as an institutionally enhanced innovation dilemma (Rammert, 1988). Organizational and social innovations could be generated, but sustaining innovation over time would have required organizational slack and some redundancy of resources (Crouch and Farrell, 2004). The pressures of changing markets and employer strategies, dwindling membership rates and the union's own organizational strategies of 'lean management' all limited resource redundancy – thus blocking the implementation processes that would be needed to overcome these constraints.

This suggests that shifting patterns of innovation and path dependency are best explained using a multi-level approach, which incorporates the broader institutional and strategic context of action into the analysis of resources and routines internal to organizations. Ver.di faced large challenges in moving beyond established strategies due to the growing incompatibility between established industrial relations institutions, its own organizational structure and the changing structure of firms and industries. On the one hand, German labour law and existing bargaining structures provided substantive rights that supported the continuity of interest representation and union entry into new industries. On the other hand, company restructuring made it difficult for unions to effectively use these rights while overcoming increased competition, alienation and mistrust between different groups of workers. The German institutions of industrial relations assume organizations with circumscribed boundaries: works councils' co-determination rights over work organization, working times, job design and remuneration schemes are located at the level of the *Betrieb* or establishment; while union-led negotiation over pay levels occurs at the industry level. In recent years, collective agreements have shifted some bargaining and implementation responsibilities to the company or establishment levels, while the organization of work is moving beyond these boundaries (Sydow, 1997).

These developments were particularly pronounced in the call centre establishments studied here. Their ability to shift and outsource work in real time and to organize, benchmark and control it beyond company boundaries gave management and clients increased power to unilaterally set or renegotiate employment terms and conditions. In this context, the union merger that formed ver.di, which was originally intended to focus union power in a changing environment, ironically reiterated the constraints of organizing along industry boundaries. Ver.di thus to some extent held itself captive to past industry specific bargaining structures by mirroring them in its internal structure and mode of resource allocation based on membership numbers.

These developments may be described as a dilemmatic redistribution of the capacity for action between employers, works councils and the union. Management - exposed to volatile markets, increasing customer demands and cost-cutting competition due to its own choice of business model - experienced expanding options to move work to establishments within regions and under collective bargaining arrangements of its choosing. These strategies were legitimated by the self-evident pressures of the market. Meanwhile, unions and works councils were supported by institutional rights that did not 'naturally' fit with the call centre working environment. Thus, these rights were often adapted as tools and negotiating resources for other purposes, and successful agreements were constantly at risk from business transfers and relocation. 'New' works councillors lacked experience, knowledge and a continuous basis for negotiation due to the high levels of worker and management turnover in call centres. However, their support by the union was contingent on the limited resources available, the interest of local union secretaries and their ability to communicate with an unfamiliar clientele.

Surmounting this innovation dilemma is likely to require changes in the mode of resource allocation within ver.di and broader changes in the institutional environment – both of which

could provide the union with new resources and forms of bargaining leverage. Comparative studies of the call centre sector provide possible models from other European countries. Government intervention has ensured mandatory extension of collective agreements and minimum wages to subcontractors in France and the Netherlands, while unions have successfully led efforts to extend legal and negotiated protections to peripheral groups of call centre workers in Austria and Denmark (Lloyd et al., 2009; Pemicka, 2005; Shire et al., 2009; Sørensen and Weinkopf, 2009; Van Jaarsveld et al., 2009). These measures have raised minimum terms and conditions in call centres and reduced potential escape routes from existing institutional protections. Similar changes in Germany may be necessary in order to level the playing field on the employer side and expand the union's space for strategic innovation.

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