1999

Changing Internal Labor Markets in Service and Sales Occupations

Rosemary Batt
Cornell University, rb41@comell.edu

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Abstract
[Excerpt] In this paper, I address the question of how deregulation in the telecommunications industry has altered the internal labor market structure of clerical and sales jobs—that is, the traditionally female-dominated operator, service, and sales jobs in the industry. This question is important for several reasons. First, from the perspective of the internal labor market literature, the Bell System represented a classic example of a highly developed and stable system. Given growing conventional wisdom that internal labor markets are disintegrating, the telecommunications industry provides a useful case for examining the extent to which corporate responses to deregulation have led to an erosion of the prior system. Second, from the perspective of women and the labor market, the highly unionized telecommunications industry was one of the few service industries in which women found high-skilled, high-pay jobs, with long career ladders. Do these jobs continue to be high-skilled and to provide women with opportunities for career development and income growth? Compared to other service industries, for example, wage levels and union density among women in telecommunications were over twice as high as the average in all other service industries (Batt and Strausser 1998). Third, from a management perspective, the importance of these jobs has increased dramatically since deregulation. Customer service and sales occupations represent the face of the corporation to the customer, and with dramatic increases in competition, companies have come to view these operations much more strategically than in the past (Batt and Keefe 1999). They have also shifted the workforce from service into sales to compete in deregulated markets. Between 1983 and 1996, for example, employment in low-skilled clerical positions fell by 38%, due largely to the increased use of information technology and process reengineering; employment in sales, however, increased by 105% (CPS merged annual earnings files).

Keywords
telemarketing, deregulation, labor market, clerical work, sales

Disciplines
Human Resources Management | Labor Relations

Comments
Suggested Citation
Batt, R. (1999). Changing internal labor markets in service and sales occupations [Electronic version]. *Proceedings of the 51st annual meeting of the Industrial Relations Research Association* (pp. 237-244). Madison, WI: Industrial Relations Research Association.

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ROSEMARY BATT
Cornell University

In this paper, I address the question of how deregulation in the telecommunications industry has altered the internal labor market structure of clerical and sales jobs—that is, the traditionally female-dominated operator, service, and sales jobs in the industry. This question is important for several reasons. First, from the perspective of the internal labor market literature, the Bell System represented a classic example of a highly developed and stable system. Given growing conventional wisdom that internal labor markets are disintegrating, the telecommunications industry provides a useful case for examining the extent to which corporate responses to deregulation have led to an erosion of the prior system. Second, from the perspective of women and the labor market, the highly unionized telecommunications industry was one of the few service industries in which women found high-skilled, high-pay jobs, with long career ladders. Do these jobs continue to be high-skilled and to provide women with opportunities for career development and income growth? Compared to other service industries, for example, wage levels and union density among women in telecommunications were over twice as high as the average in all other service industries (Batt and Strausser 1998). Third, from a management perspective, the importance of these jobs has increased dramatically since deregulation. Customer service and sales occupations represent the face of the corporation to the customer, and with dramatic increases in competition, companies have come to view these operations much more strategically than in the past (Batt and Keefe 1999). They have also shifted the workforce from service into sales to compete in deregulated markets. Between 1983 and 1996, for example, employment in low-skilled clerical positions fell by 38%, due largely to the increased use of information technology and process reengineering; employment in sales, however, increased by 105% (CPS merged annual earnings files).

To examine the changing nature of jobs and careers in this occupational group, I first briefly summarize what we know about the internal labor

Author's Address: Human Resources Studies, School of Industrial and Labor Relations, Cornell University, 387-B Ives Hall, Ithaca, NY 14853-1836.

market for service and sales workers in the regulated period based on prior research (e.g., Batt 1995). I define internal labor markets to include the design of jobs, mobility patterns, pay, and employment security (Osterman 1987). I then draw on a survey of a nationally representative sample of 254 customer service establishments to describe the system in the deregulated era. The survey was administered in the fall of 1998 to a random sample of customer service and sales establishments drawn from the Dun and Bradstreet listing.

Internal Labor Markets in the Regulated Era

The year 1984 usually is viewed as the dividing line between the old and new era of the U.S. telecommunications industry. Prior to that date, the AT&T Bell System was the regulated monopoly provider. AT&T provided virtually all long distance domestic service, supplied 92% of local service, and employed over 90% of the industry's 1.1 million employees. The Bell System provided reliable voice transmission through a highly efficient and centralized operating system. In the 1984 court-ordered divestiture of AT&T, the long distance and equipment manufacturing businesses were allocated to AT&T under deregulated market conditions. Local service was consolidated from 22 local companies into 7 regional Bell operating companies (RBOCs), which retained their monopoly status. The U.S. Congress passed legislation in 1996 to deregulate local markets, but actual local competition has been slow to materialize.

A standardized national system of internal labor markets, supported by national pattern bargaining, established common human resource practices for virtually all union-eligible employees across the system. A national system of internal labor markets also covered managerial employees (Howard and Bray 1988; Batt 1996). For women in clerical occupations, there were two ports of entry: operator services and low-level clerical positions. Most entry-level jobs required a high-school education; entrance examinations were highly standardized and selection procedures, highly selective. Jobs in operator services were routinized and Taylorized from an early date, but business office (customer service and accounting) jobs were relatively highly skilled, semiautonomous, and problem-solving in orientation. In both departments, the nonmanagement jobs were relatively undifferentiated: there were usually two job rungs—an entry-level position and a more advanced position. For customer service staff, for example, the overwhelming portion served the general public by placing orders or transfers, and handling billing, repair, or other inquiries. A much smaller group handled nonroutine problems or was dedicated to very large business customers. The jobs were relatively undifferentiated because the product (basic telephone service) and the customer base were undifferentiated. A typical career involved beginning in operator services and moving up to firstline supervisor, or beginning in operator services, shifting to customer service work, and then moving up to handling nonroutine problems, large customers, or becoming a firstline supervisor. From there, workers could attend college through company-paid tuition if they wanted to advance to middle-management positions. Lifetime security was an implicit part of the social contract (Batt and Keefe 1999).

Internal Labor Markets under Deregulation

Under deregulation, service and sales jobs have increased in importance as companies have faced stiffer competition. Firms have sought to compete by developing the most cost-effective ways to provide customized packages of information services to targeted customer markets. To do so, they have adopted a business strategy referred to as "strategic segmentation" (Keltner 1998): segmented marketing strategies differentiate customers by value added, ranging from high value-added corporate clients to various business segments, to lower value-added individual consumers as well. Most major players also have used advanced information systems and process reengineering to support their market segmentation strategies while also reducing costs. Advanced information systems have allowed companies to consolidate operations into large remote service centers, each dedicated to a particular clientele. Most large telecommunications companies now have dedicated service centers for residential, small business, and large corporate or institutional clients.

Process reengineering automates many service functions so that telephone service may be turned on remotely without the help of field technicians on the ground. Overhead and direct labor costs fall while customer response time improves. After reengineering at GTE, for example, the percent of residential phone orders that are automatically established doubled, from 33% in the past to 61%. The most dramatic examples of consolidation occurred at AT&T and GTE—both of which faced an early challenge of creating standardized customer service and network organizations to serve national markets. By the early 1990s, for example, AT&T had consolidated hundreds of customer service bureaus into six national megacenters. Similarly, GTE consolidated 258 local worksites into 58 regionally based service centers (Batt and Keefe 1999).

Ideally, office workers should be able to construct careers as "customer service professionals" by moving from a lower value-added segment to a higher one. In reality, however, this type of internal mobility is made difficult by two factors. First, centers serving different customer segments are often located in different cities, necessitating relocation to pursue a career. Second, unlike the past, and as indicated in the data below, college education is increasingly a requirement for entry into the lucrative jobs serving large business customers.

In order to examine the extent to which these changes in business strategy and structure have affected the characteristics of internal labor markets for office workers, I conducted a survey of a nationally representative sample of customer service establishments in 1998. The telephone survey asked general managers a series of questions about the content of work, skills, pay, and promotion patterns of the core workforce in the establishment. The "core workforce" was defined as the group serving the establishment's largest segment of customers. Typically, establishments focus on one segment—residential consumers, small business customers, or large business and institutions.

Tables 1 and 2 present the mean characteristics of internal labor markets by customer segment served. These characteristics include the content of jobs, pay, promotion, and employment security. Notably, as shown in Table 1, the jobs vary significantly by the customer segment served. This variation in job content occurs along a continuum from very "transactional" to highly "relational" in content (Gutek 1995). On the one hand, service jobs that are "transactional" usually involve short and simple interactions with customers and relatively low discretion for workers. These jobs may be conceptualized as the functional equivalent of mass production jobs in services. On the other hand, jobs that are "relational" in content provide workers with the opportunity to spend more time with customers and offer considerably more discretion for workers to respond to customer demands. This transactional-relational content of jobs may be viewed along three dimensions: in the way that workers interact with customers, in the way that they use technology, and in the extent to which they exercise discretion at work.

The way that customer segment is reflected in the content of jobs is illustrated by the data provided in Table 1. For example, workers serving residential customers spend less than 20% of their time in face-to-face interactions, while those serving large business clients spend twice as much time in personal interactions. Workers serving residential customers spend about five-and-a-half minutes for each customer interaction and serve on average 99 customers per day; those serving large business customers spend almost twice as much time per customer and serve about 40 customers per day. In almost all of the dimensions surveyed, the workers serving small business represent an intermediate case between those in residential mass markets and those serving large business.

TABLE 1
Work Organization by Customer Segment Served

Variable	All	Residential	Sm.Bus.	Lg.Bus.	Sig: p < .05
Customer interaction					
% face-to-face interactions	27.32	19.47	27.55	40.40	a,b,c
Ave. time with customer (min.)	6.92	5.50	7.01	9.53	
# of customers per day	74.48	99.18	69.35	39.91	
Use of scripted texts*	1.94	2.22	1.89	1.52	a,b,c
Technology mediation					
Software (ave. # used by wkrs.)	4.22	3.45	3.60	6.34	a,c
Emails (number per day)	10.05	8.98	6.40	17.03	a,b,c
% electronically monitored	39.49	50.30	38.82	22.06	a,b,c
% time on-line	65.54	74.85	63.95	51.47	a,b,c
% completes on-line	62.48	72.23	65.16	41.55	a,c
Work organization					
Discretion over:					
Daily tasks & assignments*	3.23	2.92	3.28	3.68	a,b,c
Tools & procedures*	2.89	2.66	2.86	3.31	a,c
Pace & speed at work*	3.23	2.91	3.31	3.66	a,b,c
Setting work objectives*	2.49	2.43	2.36	2.76	a,c
Revising work methods*	2.89	2.87	2.76	3.10	c
Setting lunch & rest breaks*	3.05	2.32	3.20	4.06	a,b,c
Setting vacation schedules*	3.65	3.46	3.66	3.95	a,c
Design & use of technology*	2.15	1.98	2.11	2.51	a,c
Types of customers served*	1.97	1.74	1.93	2.41	a,c
Handling additional requests*	3.72	3.73	3.75	3.67	
Settling customer complaints*	3.69	3.93	3.54	3.48	a,b
# of customers served/day*	2.67	2.35	2.51	3.52	a,c
Discretion scale*	2.83	2.57	2.80	3.29	a,b,c

* 1-5 scale where 1 is none and 5 is to a very great extent or completely.
a = residential and large business are significantly different at $p < .05$.
b = residential and small business are significantly different at $p < .05$.
c = small and large business are significantly different at $p < .05$.

The variation in the use of technology is also striking. In the mass market, workers regularly use about 3.5 different software packages and receive nine emails per day; they spend 75% of their work day "on-line" (tied to computers and telephone lines) and complete over 70% of their calls while the customer is on the line. They are electronically monitored over 50% of their working day. In the corporate market, by contrast, workers use almost twice as many software packages, receive twice as many emails, spend significantly less time on-line, and complete far fewer transactions while the customer is on the phone. They are electronically monitored on average only 22% of their workday.

TABLE 2

Pay, Promotion, and Employment Security by Customer Segment Served

Variable	All	Residential	Sm.Bus.	Lg.Bus.	Sig: p < .05
Pay, promotion, and employment security					
% promoted from within	38.61	38.49	35.15	43.37	
% with < 1 year of tenure	29.71	30.10	30.91	27.40	
% with >10 years of tenure	70.28	68.10	75.14	67.43	
% of fulltime permanent wkforce	91.35	91.20	88.83	95.04	a
Average annual base pay	37,137	26,755	33,940	60,491	a,b,c
Average annual benefits costs	9,906	6,744	9,017	16,413	a,b,c
% pay that is variable	17.58	10.05	20.58	26.52	a,b
Workforce characteristics					
Total employees	294.00	466.00	195.00	136.00	
% female	61.59	71.37	60.88	45.63	a,b,c
% unionized	14.57	22.64	11.76	4.76	a,b
% exempt from labor laws	31.58	11.65	24.10	75.41	a,b,c
Ave. education (in years)	13.67	12.94	13.56	15.07	a,b,c

* 1-5 scale where 1 is none and 5 is to a very great extent or completely.
a = residential and large business are significantly different at p < .05.
b = residential and small business are significantly different at p < .05.
c = small and large business are significantly different at p < .05.

How much discretion workers have in their jobs also varies significantly by customer segment. In this study I asked managers to estimate how much discretion employees had over a series of activities ranging from daily task assignments and tools at work to setting work schedules and settling customer complaints. Managers answered on a scale of 1 to 5 where 1 is no discretion and 5 is complete discretion. Table 1 reports the means of these variables. In all but two of the items, those in large business scored significantly higher on discretion at work than did those in small business; and small business representatives, in turn, scored significantly higher than those in residential markets.

Reflecting this variation in the content of jobs, average pay also varies by customer segment served, as reported in Table 2. Those serving the residential mass market receive an annual average wage of $26,755, plus benefits worth $6,744; workers serving small business customers receive $33,940, plus benefits of $9,017; and those working for large clients average $60,491, plus $16,413 in benefits. Similarly, pay-for-performance, or the percent of pay that is variable, increases from an average of 10% for workers at the low end to over 26% for those serving corporate clients.

Mobility patterns and employment security are the two areas where there is little variation across customer segments. On average, managers reported that about 38% of their current workforce had been promoted from within, and about 70% had at least ten years of seniority. In addition, roughly 90% of the workforce across the segments are full-time and permanent, an indicator of the company's commitment to employment security.

Finally, workforce characteristics vary considerably across segments. The average size of the establishment ranges from 136 for those serving large customers to 446 for those in the mass market. Average education ranges from 13 years for residential service agents to 15 years for corporate account managers; and whereas over 70% of the residential representatives are female, that figure drops to 45% among large account agents.

In sum, unlike the past when customer service jobs were relatively undifferentiated, and workers offered "universal service" to the public, the range of within-occupational variation has increased markedly under deregulation. This has occurred because companies have competed through "strategic segmentation"—customizing products to meet the demand characteristics of distinct market segments and matching the jobs and workforce characteristics to those customer segments. A particularly strong indicator of this variation is the extent to which workers serving business clientele are defined as professional/managerial and exempt from labor laws. Whereas only 11% of the residential workforce are defined as exempt from labor laws and 22% are represented by unions; 45% of large business agents are exempt and less than 5% are represented by unions. In the past, sales and service workers serving large business clients were considered part of the bargaining unit, and these positions were filled by the most experienced and senior workers in the union. Today, 75% of those serving large business have at least a two-year college degree, and 62% have a four-year degree. This trend towards hiring college graduates for the higher-paid jobs makes it much more difficult for workers to pursue a career as a customer service professional by moving up the customer ladder from residential to small business to large business customers, as they did in the past.

Conclusions

In summary, recent research demonstrates that the as yet partial deregulation of telecommunications service markets in the United States has led to significant changes in corporate structure, work organization, and internal labor markets for service and sales workers in the industry. Union institutions have had relatively little influence over the course of restructuring, despite the prior existence of an industrywide collective bargaining system and despite various attempts at labor-management pacts to jointly reorganize work.

Business strategy, process reengineering, and the availability of advanced information systems have been the primary drivers of change in work organization and internal labor markets. Companies have shifted their orientation from public service to strategic segmentation of markets. The prior system of national internal labor markets has been transformed into a much more fragmented structure. Core jobs in customer services and sales have become much more specialized, and within-occupational variation has increased with respect to skills and training, use of technology, work design, and pay.

Acknowledgment

Generous funding for this research was provided by the Alfred P. Sloan Foundation.

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