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***Contested resources:  
unions, employers, and the adoption of new work practices in US and  
UK telecommunications<sup>1</sup>***

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Abstract:

The pattern of adoption of high-performance work practices (HPWPs) has been explained in terms of strategic contingency and in terms of union presence. We compare the post-deregulation / privatization changes in work practice at AT&T, Bell Atlantic and BT. On the basis of these cases, we argue that the choice of new work practices should be understood as a consequence not only of the company's resources or changes in its environment, nor of a simple union presence, but also as a consequence of the practices' affects on union power, the nature of the union's engagement, and the union's strategic choices.

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## **1. Introduction.**

In this paper we examine changes in work practice in the context of interactions between corporate strategy and industrial relations. Specifically, we consider the cases of three telecommunications companies – British Telecom (BT) in the UK, Bell Atlantic and AT&T of the US in the aftermath of deregulation. Several unions are present at the three firms, but for the most part we are concerned with the Communication Workers' Union (CWU), formerly National Communications Union, in Britain and the Communications Workers of America (CWA) in the US. We examine the strategic choices faced by the three companies; the potential contribution of new work practices to these various strategic paths; and, in particular, the role of unions in shaping the work practices actually chosen and implemented.

The three companies were all, at about the same time, thrust into competitive environments by government action - privatization for BT, break-up and deregulation for Bell Atlantic/AT&T. This occurred at a time when unions in both countries had been weakened by the withdrawal of many legal protections and were facing large losses of membership and bargaining coverage throughout the private sector. The weakened position of the unions together with the intense competitive pressure on the companies might seem to leave little room for strategic choice in the area of industrial relations. Yet, we find that in all three cases, strategic interaction between company and union affected the nature of the work practices adopted. An implication of this finding is that, for both company and union, strategic choices about work practices should be regarded as contingent not only on exogenous environmental factors or other elements of the organization's own strategy, but the strategy of its negotiating partner. While environmental factors play an important role in narrowing

the sets of feasible strategies and of possible outcomes, strategies (and hence outcomes) are also contingent on historically embedded expectations, and on the choices made by various actors.

Both in its use of case studies, and in its emphasis on the interaction of environmental factors with strategic and contingent ones, this paper follows in a long tradition in industrial relations (see, for instance, Levinson 1960; Ross 1947a; Ross 1947b; Weber 1969). It brings to this tradition a particular interest in the role of new work practices.

The remainder of this paper is organized as follows. The literatures on high-performance work practices, the strategic contingency of work practices, and industrial relations and high performance work practices (HPWPs), are each reviewed briefly in Section 2. The background of telecommunications in the UK and US over the past period is summarized in Section 3. Data collection and methodology are provided in Section 4. The particular external and internal circumstances of each company, the response by management and unionised employees, and the outcomes, are considered in Section 5. We evaluate the implications and conclusions of our findings in Section 6.

## **2. Strategic contingency in employer's choice of work practices**

Modern management theory has developed a range of prescriptions relating to work practice. These have a collection of deep roots, including but not limited to the human relations school of management, Japanese lean production and total quality management systems. Different authorities have described the contemporary versions of these practices differently; what they have in common is a claim, on the part of their advocates, to be non-Taylorist. The claim to a departure from Taylorism

comes from the acknowledgement, development and systematic use of the skills and knowledge of production employees. Various packages of practices have acquired various labels, including high-performance work practice system, high-involvement work practice, and simply human resource management (HRM). We adopt the term 'high performance work practice' (HPWP) for this paper.

To their advocates, such practices offer a win-win situation for labour and capital: for workers, jobs should become more interesting and challenging, while skills, productivity, and wages all should rise; for employers, rising productivity, and improved product and service quality, should lead to increased profits. In competitive markets, improved productivity and/or quality may be necessary for competitive survival and thus a concern for all of an organization's stakeholders.

From a belief in the promise of win-win come two puzzles: one is that most employers do not implement any version of the prescribed sets of packages on a sustained basis (Appelbaum, et al. 2000; Delery and Doty 1996; Guest 1997; Huselid 1995); the other is that the response to the new practices by workers and their unions ranges from strong opposition to enthusiastic support, and from acceptance of management's definition of new practices to aggressive engagement in shaping them (Godard 2004; Harley 2002; Kersely, et al. 2005; Kinnie, et al. 2005; Nolan and O'Donnell 2003; Ramsay, et al. 2000).

One explanation for the lack of universal adoption is that the benefits of the practices are strategically contingent. Porter (1985) links HPWPs to strategies of focus and differentiation, but not to low cost strategies. Miles and Snow (1984) take a similar line, but link HPWPs to innovation rather than differentiation/focus. Studies in manufacturing have found that HPWPs are matched with flexible and high quality production systems (Arthur 1994; MacDuffie 1995; Youndt, et al. 1996), consistent

with the strategic contingency view. Sako and Jackson (2006), studying two telecommunications companies in Germany and Japan, find that centralization or decentralization of company HR functions is contingent on both company and union strategies, and on the relative power of the actors.

From the strategic perspective, in the case of the three telecommunications companies studied here, we can identify two factors which could be expected to affect the work and employment practices adopted. One is that some of the technologies being used by the companies were changing fast, and it was by no means clear which technologies would be important in future years. Each company had a choice between continuing to develop technical competencies internally, and switching to the market, obtaining competencies through acquisitions or contracting as needs became clear. Each strategy has implications for HR practice: the internal competency strategy requires ongoing skill upgrading, retention of skilled employees, and an organizational capacity to re-deploy resources internally in response to technological changes. The second strategy offers the possibility of saving some of the costs associated with the first.

The second strategic factor is the relationship with customers. Each company wants to sell its customers more services; to economize on the cost of dealing with customer inquiries; to avoid losing customers to other service providers; and, given that telecommunications in both the US and the UK is a regulated industry, to avoid problems with customers that would hurt the company in the public arena.

### **Controlling the distribution of gains**

The strategic contingency arguments just reviewed assume that employees cooperate in the introduction of new work programmes and that the employer captures at least part of the productivity gains. In practice, however, the distribution of productivity

gains is contested; the anticipated distribution of these gains will affect both employees' cooperation with HPWP programmes, and the employer's desire to adopt such programmes.

The question is complicated by the fact that any particular HPWP package is likely to alter the balance of bargaining power in favour of either employees or employers. The possible tilt towards employers is well understood, and is reflected in hyper-Taylorism and management-by-stress narratives. It is important also to understand the possibility of a tilt in favour of employees, because its prospect can limit the scope of HPWPs adopted by employers. Drago (1996), for instance, shows that where a company keeps establishments in competition with each other, under threat of closure, the HPWP package tends not to include voice mechanisms. General Motors' unwillingness to extend its highly participatory Saturn model to the rest of the company, despite the Tennessee factory's success in producing high-quality cars, has often been understood as a recognition that Saturn workers had a level of control over work intensity that was inconsistent with profit maximization (Shaiken, et al. 1997). Relationships between employees and customers, a key part of some customer service programmes, can also enhance the collective bargaining power of employees (Guy 2003).

The contest for control of the distribution of productivity gains can, then, affect the size of the gains. Can we say anything about how? Black and Lynch (2001) find, in the case of US manufacturing, that productivity gains from HPWPs are significantly higher when a union is present (in fact, they find *no* statistically significant productivity boost from HPWPs when no union is present); Black and Lynch attribute this result to a union voice effect. But do unions and their members gain

from the rise in productivity that the union appears to facilitate? Here, the answers are less clear.

There is much research, but no consensus, on the question of whether HPWPs and unions are, as institutions, complements or substitutes. The substitution hypothesis takes two forms: one, that HPWPs reduce worker demand for unions by making workers more satisfied with their jobs and legitimating cooperation with management, the other that cooperation with HPWPs weakens the union's ability to represent workers. The complementarity hypothesis is that management-initiated involvement works better when workers have credible mechanisms for voice and due process.

Machin and Wood (2005) take institutional substitution to be the conventional view, citing Guest (1989) and Fiorito (2001); searching for evidence of substitution in the UK Workplace Industrial Relations Surveys from 1980-98, they find none. Godard starts with the assumption that conventional wisdom favours complementarity, citing Heckscher (1988), Kochan and Osterman (1994), Marshall (1992), and Rubinstein and Kochan (2001); reviewing a vast body of literature, he finds that the effect on unions (and workers) is 'ambiguous, if not negative' (p. 371). We are left with no general rule as to how we should expect unions to regard HPWPs.

There is a bit more clarity, but only just, about how unions get better or worse outcomes for their members when HPWPs are on the agenda. Different unions (or local union branches) take different positions. In the UK, for instance, most union policy and strategy in relation to HPWPs can be categorised as some form of 'positive engagement', generally conforming to the approach adopted by the Transport and General Workers' Union in the mid-1990s and the TUC itself (Fisher 1995; TUC

1994).<sup>3</sup> This essentially advocates a negotiated approach to HPWPs, with the union resisting some practices, whilst supporting the introduction of others particularly related to increased job security, equal opportunities, improved training opportunities and better internal communications. Part of the logic of this strategy is that many HPWPs are ambiguous and open to alternative interpretations that unions might exploit, a logic underpinning the endorsement by some unions and the TUC of partnership agreements (Ackers and Payne 1998).

In assessing the outcome of partnership, Kelly (1996) suggests that unions militant in their orientation are better able to defend against opportunistic behaviour on the part of management, and thus his argument lends support for union refusal to cooperate with the introduction of new work practices. Kelly defines union militancy in terms of union ideology, goals, methods, the mobilisation of union membership and use of institutional resources, and as historically relative and environmentally constrained – a definition we broadly assume below in our report and discussion of the three case studies. Kelly's union militancy argument is linked to both general and more specific factors affecting the balance of power between the parties and which may thus provide sources of union leverage in the bargaining situation. In this regard, Batstone (1988, 223-35) highlights worker and union resources and possible sanctions, union goals and union strategic considerations related to judgements about their chances of success, as well as production system, product and labour

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<sup>3</sup> Exceptions to this are the unqualified endorsement of HPWPs in the UK through single union no-strike deals, signed by the engineering and electricians' unions particularly in the 1980s and early 1990s; and also the policy of direct opposition to HPWPs adopted by the British postal workers' section of the Communication Workers' Union in the mid-1990s (Beale 2003; Gall 2003).

market, and institutional factors; many of these factors are also taken into account in Katz and Darbshire's (2000) study.

However, Frost (2001), studying changes in work practice at three North American steel plants, argues that the relevant variable is not whether the union is militant or cooperative, but whether it is proactive or reactive with regard to the HPWP proposal (it is noteworthy that the two plants in her study which had good outcomes for the workers also had substantial productivity and quality improvements).

While this body of research does not come to unambiguous conclusions as to the best strategies for workers and their unions in response to proposals for HPWPs, they do all lend support to the view that the actions of unions can make a difference to the outcomes of these programmes, for both the employer and the employees (Beale 2003; Darlington 2002). What we argue here is that employer and union choices with respect to new work practices should be understood in terms of strategic interaction, and that much of the variation in the adoption and outcome of these practices can be understood if we understand this interaction. The following section provides the background to the evolution of strategy and industrial relations in the three companies.

### **3. Evolution of telecommunication services in the UK and US**

The common factor uniting the history of both AT&T and BT was the early drive towards fast-track deregulation and privatisation from the mid 1980s onwards. BT was the first nationalised company in the UK to be privatised in 1984. During the same decade, private operators were allowed to build their own communication networks, enter the mobile phone area and compete in telephony services through entry into the cable television market. Deregulation in the US began in 1984 with the

divestiture of AT&T's 22 local phone companies. Ownership of the latter was transferred to 7 Regional Bell Operating Companies (RBOCs) with the right to sell local and toll calling in local areas (Dodd 2000).

Despite their apparent similarities, the BT and AT&T systems differed in important ways and Britain and the US approached the governance of these monopolies differently, in ways typical of the policies of the two countries: AT&T was owned by private shareholders, while BT was owned by the state. Regulation of AT&T was driven by the concept that private business should satisfy customer needs, in terms of access to phone lines, time to fix repairs and quality of operator services. The nationalisation of telecommunication services in the UK was, by contrast, driven by the belief that the state could run and organise certain strategic enterprises for the overall public interest. The distinction between 'customers' and 'the public' is a subtle one, but does reflect a real difference in orientation.

The differences between the industrial relations systems of the two countries are also striking. In the US, non-union operation - even if this requires breaking a well-established collective bargaining relationship - is a serious option for most private sector employers; breaking established unions in ex-nationalised sectors has been far less common in the UK. Regulated industries have been an oasis for US unions in an otherwise hostile environment, and so de-regulation posed a particular threat to unions in those industries. The different national IR environments, combined with the different systems of governance for the telephone systems and the philosophies that came with them, contributed to differences in the traditions of industrial relations within the two companies.

In the UK, BT's position as a state owned company meant that the logic of work organisation and industrial relations was shaped by the expectation, prevalent in the

mid-twentieth century when both the public sector and the telephone system were growing rapidly, that trade unions would, and should be, part of the framework of public service provision. In return for moderation from the trade union leaders, unions at BT were provided with a degree of institutional security and became involved in the negotiation with management over issues that went well beyond pay and conditions. Recruitment, training, evaluation, promotion and discipline were all subject to wide ranging national agreements as were many aspects of work organisation such as staffing levels and ratios, working conditions and working practices, and the introduction of new equipment and systems (Batstone, et al. 1984). The grading structure in BT was extremely formalised. The 130 different grades for staff below management underlined the highly developed internal labour market with clearly marked out career paths for progression within a hierarchy and for movement within a “senior salary structure” (ibid.). Extensive seniority based benefits existed and career ladders were almost exclusively filled from within (Schacht 1985). In areas of corporate life such as investment strategy and policy issues however, the unions had little or no say.

The industrial relations situation in the Bell System evolved rather differently. The CWA had to fight for recognition in the face of strong management opposition to independent unions. Initially, the company unions became the basis for fragmented but independent labour unions that won recognition (Craypo 1986) but it was not until 1974 that system-wide contracts were negotiated. Whilst the CWA was able to achieve a strong bargaining position and generous pay and benefits for its members, the inherent distrust between managers and unions was expressed in significant differences in the evolution of managerial responsibility between BT and the Bell System. In BT, direct supervision of tasks in network areas was often left to the

Technical Officers (TOs) and Inspectors, a type of foreman. In the Bell System on the other hand, the number of managers as a proportion of the workforce was considerably higher. Batt (1995) for example reports that the proportion of managerial jobs in the AT&T workforce grew from 13.5% in 1950 to 29.4% in 1980, which compares to just 14% for BT in 1985.

During the divestiture proceedings, in which the terms of AT&T's break-up were determined, both the CWA and the International Brotherhood of Electrical Workers (IBEW) took the company's side, and in return AT&T committed to continuing systemwide bargaining for both unions.

In the early 1990s, following the privatization of BT and the break-up of the Bell System, BT, Nynex (or Bell Atlantic as it was known by then) and AT&T faced similar challenges, although from very different positions. Bell Atlantic and BT both remained responsible to the regulator for universal coverage and maintenance of the basic telephone system. This limited the degree to which standards could be allowed to deteriorate through labour shedding. However, although both companies retained ownership over the local loop and competition was only gradually opened up, their reliance on traditional voice business rather than value added services, underlined the danger that by relying on the traditional source of income and the ownership of the network, the organisations in effect would be reduced to becoming a mere *bit transporter* for the value added services of other low cost competitors.

#### **4. Research design and data collection method**

The empirical data that this paper draws upon comes from 43 semi-structured interviews that took place in three companies, British Telecom, Bell Atlantic and AT&T between 2000 and 2002 (Ramirez 2002). The interviews across the three

companies included 10 line managers, 5 senior managers, 16 non-management employees, one contractor and 10 union officials, including one general secretary (Connect) and one district president (CWA district 1). Twenty-five of the interviews were with BT employees or union officials working with BT in *Connect* and the CWU, the remainder with Bell Atlantic and AT&T employees or union officials from the CWA. Interviews in BT principally covered customer service, network engineering and human resource areas. In AT&T interviews took place with CWA officials and with a focus group of five senior human resource managers at the AT&T Corporate Headquarters in Bedminster, New Jersey. Similarly, at Bell Atlantic a series of interviews took place with CWA officials in Chicago and CWA's District One in New York City, and with Human Resource Managers at the corporate headquarters in Malborough, Massachusetts. Two interviews also took place with Bell Atlantic splicing technicians in Philadelphia.

The interviews were tape recorded and transcribed; each lasted in the region of 1-1.5 hours. There were however a number of exceptions, including a focus group in AT&T and a meeting with Bell Atlantic senior HR managers, both of which lasted one whole morning. Interviews in Philadelphia with splicing technicians involved shadowing a technician for most part of a day. Documentary evidence, including AT&T and Bell Atlantic employment contracts and from Human Resource departments, was also collected.

As with any industry level study, the prospect of learning something which can be generalized to other settings depends on the implicit use of the institutional and technological features of the industry as a set of controls; similarly, confining such a study to countries with broadly similar institutional frameworks is in aid of understanding differences within those frameworks. The fact that the three

companies, and their respective unions, were going through similar regulatory and technological transitions in the same period, makes for something of a natural experiment. Within the industry, countries, and time frame chosen, and given the practical limits on the number of observations imposed by the case study method, the cases were chosen with the aim of shedding light on the range of outcomes within that frame.

Questions of reliability and validity of the case study were addressed during the fieldwork. It was possible to corroborate the reliability of much of the evidence by triangulating among different actors, addressing the same issues in interviews with union officials, human resource managers, and other employees of each of the companies. Regarding the validity of the data, Strauss's (1987) coding process was followed. The identification of codes and themes was based on the propositions laid out in sections two and three.

## **5. Responses to re-structuring**

### ***The demise of HPWPs: The case of AT&T***

Of the three companies in the post deregulation period, AT&T faced the biggest threat as a consequence of being exposed to the most intense competition and the loss of its direct access to the local customer. By 1989, just five years after AT&T's divestiture, its two biggest competitors, MCI and Sprint, held 17% and 12% of the long distance market respectively and by 1994, AT&T's share of the long distance market had fallen to 60% (FCC, 1992/1993). The result was a strategy of drastic downsizing combined with aggressive acquisitions that largely broke with its tradition of investment in its workforce and long-term employment.

AT&T's response to competition from private networks was a massive re-investment programme in a largely maintenance free system with a capacity for transmitting voice, video, data and high quality service (Mansell 1993). This allowed the organisation to divest itself of large numbers of blue collared workers, who were replaced by a smaller number of white-collar staff with remote testing computer skills. The new white collar staff were paid 80% of former craft wages (ibid). Furthermore, unlike the RBOCs, AT&T's faced no regulatory restrictions to moving employment between states, and this allowed it to consolidate hundreds of local operator and customer service centres into a handful of remote national centres.

The downsizing programme in the aftermath of divestiture was originally seen as a short-term consolidation measure. However, as AT&T continued cutting into management and non-management numbers, downsizing increasingly became part of the routine of business operations and, unlike BT, came in the form of compulsory layoffs. Thus, between 1984 and 1992 out of a total of 107,291 union represented jobs that were lost, 58% were lost through compulsory layoffs (Keefe and Batt 1997). With the share price of AT&T tumbling in the late 1990s, Michael Armstrong's appointment as CEO in 1998 was followed by the announcement that one in seven jobs would disappear, including one in four of the top 126 executives. Despite the number of top executives in the headline, and the historically management-heavy nature of the organization, the union-represented jobs were hit hardest, with union coverage falling to 42% of the workforce in 1996 and 28% in 2000.

Over these years of restructuring, AT&T undertook two distinctly different types of HR initiatives. Firstly, there was a set of high involvement work practices aimed at leveraging the knowledge of employees at the workplace. One of the most important initiatives, known as *Workplace of the Future*, was a programme to try to improve

communication between the grass roots and management. Established during the 1992 collective bargaining period, it aimed to include union participation in human resource planning at all levels of the business. The programme involved the setting up of in-house committees in every business unit to talk about how to improve performance, flexibility and conditions at work. The remit of these committees was broad. The union hoped that this would lead to greater discretion for employees to provide quality service to the customer. For example, a CWA Union representative commented that there was an agreement under the scheme between management and unions to change to a more flexible work schedule of a ten-hour a day, four-day week. The union also hoped that this initiative would mark a change in management's direction towards the use of non-union labour. When this turned out not to be the case, locals (union branches) increasingly rebelled, and pulled out of negotiations with management. As the CWA Union rep comments...

“It was popular for management because it helped them streamline the business and get rid of some more employees. We here were one of the first to say we're not having anything to do with this, we said “Workplace of the Future, Thing of the Past”. I was going to Indiana, everyone was losing their job and they had a banner saying “Workplace of the Future”, something was just wrong” (AT&T CWA Rep Local 42/50 network).

The only area where the *Workplace of the Future* took hold was in the Network Services Division, which is where the union is strongest. The union cooperated with the programme only where it had the strength to contain management opportunism.

A second set of initiatives was aimed at cushioning the impact of the downsizing on employees. The most developed of these emerged as a result of bargaining with the union represented employees and included the “Alliance for Employee Growth and

Development”, negotiated in 1986, where the CWA was actively involved in re-skilling employees at risk of downsizing and the “AT&T transfer system” (ATS), also set up in 1986, that provided employees “at risk” of losing their jobs priority status for new openings in the core business. This would mean that some basic skills requirements usually needed to move into certain positions would be waived. The important limitation to this initiative in AT&T was that it applied to openings in occupational (union) jobs only, which was precisely where there were fewest opportunities for employment growth.

A central feature of AT&T’s restructuring strategy during the 1990s was the transformation from a corporation with a unified structure into a set of discrete business units with little operational interdependence and no common employment grading structure. In other respects, company strategy at AT&T changed radically a number of times over the decade, making both organisational initiatives to develop in-house communication amongst different groups of employees and stable projections of future skills sets extremely difficult to make. In the words of a senior AT&T human resource manager,

“we’re turning the company upside down in many ways, sometimes you don’t have five years, in a month you have to decide to go out and buy a skill set by acquiring a company. That is a change and transition, where before we had plenty of time to plan, we had organisations that worked on the basis of 5-year plans, you don’t hear about that anymore” (AT&T HR Vice-President Workforce planning, Corporate Headquarters).

Concerned about a loss of competence, some attempts to encourage further intra-firm mobility were discussed at high levels, thus retaining the accumulated experience of employees with knowledge of AT&T’s market (and reducing the

material cost of continual turnover). However, in practice, the borders between the permanent, variable and outsourced labour have been so unstable as to make medium term manpower planning impractical. As a senior AT&T senior human resource manager commented,

“Maybe what we are seeing is that skills become obsolete very quickly. If that’s the case then the question comes do you need stability? By the time you rally everybody to be trained, the technology is gone, there is no need. Would the fact that people do not have stability matter?” (AT&T HR Vice-President Workforce planning, Corporate headquarters).

In the context of AT&T’s business strategy, it is of little surprise that the unions refused to cooperate with HPWPs, making them largely ineffectual.

### ***Restructuring Mediaed by Labour and Consumer Welfare: The case of Nynex<sup>4</sup> (Bell Atlantic)***

The evolution of company strategy at Nynex following deregulation has been dominated on the one hand by two key mergers and on the other by the militancy of the CWA, particularly its District One, that exclusively represented Nynex workers. The analysis is consciously focussed on this relationship because in the USA labour markets, regulatory policies and indeed CWA district policies tend to vary by State level. Up until 1991, Nynex appeared to be following a cost cutting path in response to competition from Teleport and MFS (Keefe and Batt 1997). From 1989 onward however, the company adopted a policy with respect to labour that marked it out from other RBOCs. Two factors played a significant role here.

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<sup>4</sup> Nynex was formed in 1984 as the regional Bell operating company for New York and New England areas following deregulation. Nynex acquired Bell Atlantic in 1997, at which time it took the Bell Atlantic name. On June 30<sup>th</sup> 2000, Bell Atlantic acquired GTE to form Verizon Communications.

The first was the tough stance of the local New York regulator. This meant that, until recently, the company could not interrupt services for more than 24 hours, no matter what reason the company gave. So important changes in practices often meant hiring more staff.

A second factor has been the role and strategy of the CWA District One. The latter has taken a strong position against management attempts to attack employee benefits, including a bitter 17-week strike in 1989 against cuts in health insurance. The CWA has consistently used the defence of consumer welfare to argue for the maintenance of jobs and standard of training. This tactic was particularly effective during the 1989 strike where it managed to convince the New York PUC to refuse the company's request to raise rates.

The strength of the union has had a significant impact on the shape of work practice initiatives in both customer services and network engineering. In the former, one of the main points of conflict has been management attempts to use workplace re-organizations as a means to intensify the labour process. Changes in work organisation in customer service were often associated with employee stress and overwork. For this reason the union has generally refused to co-operate with proposed changes in work practice. Only where management has allowed the union to influence the agenda have workplace initiatives been successful. A graphic example of this emerged in 1995-6 through what almost became a major confrontation between management and unions in the customer service area of New York City. The source of the conflict lay in a perception by management that existing staff would not be able to handle the projected increase in call volume, jeopardising customer service and exposing the company to fines and penalties from the regulator. A management team was put into place and 4 or 5 months later came up with a deal to contract out

the work of the equivalent of 350 representatives (employees) to a firm in Ohio, assuming that an existing no-strike deal would allow the change to go forward smoothly. The union threatened to go on strike and tear up the no-strike agreement if any calls were diverted, but asked management to delay plans for a week while the union came up with a counter proposal. As the CWA rep comments:

“Our initiatives included taking people from training and helping them support staff, putting certain projects that weren’t essential on hold, taking people they had assigned for acting management back on the job. We said “here you are, we’ve quantified this, we’re giving you the equivalent of 350 jobs” and their response was “this is great with your 350 and the 350 we’ll contract out that’s 700 people”. We said “you don’t get it, throw one call and we’re on strike”. Finally a guy in management labour relations said to them “are you nuts they’ve just done your work in 1 week that took you 5 months”. They then went outside and said Ok, we won’t be contracting” (CWA rep District one)

Two further ambitious initiatives for workplace re-organisation in network maintenance, one led by management, one initiated by the CWA, illustrate the contest for control of work organization within Nynex / Bell Atlantic. The first involved the setting up of the *Super Tech* job title that emerged from the 1994 contract provision with the CWA. It involves a two-year training programme in which a technician would become versed in the skills of inside switching and outside cable, transmission and maintenance. This would allow the individuals to do splicing and residential repair and move easily from the customer house to the central office exchange.

The fortunes of the Super-Tech initiative have been mixed. Although the union did not object to the title, it appears that the initiative worked only in rural areas where

there are a large number of low volume subscriber lines and one technician has the time to do a number of jobs. In the urban areas, such as in Long Island, the union representatives say that it had failed miserably. This was mainly because the more intensive division of labour had caused a backlog of work. As a consequence, the Super Tech title no longer exists on Long Island.

The second initiative was the CWA's proposal of a *Technical Telecommunications Associate* (TTA) title appears to have had more success than the Super Tech initiative. The TTA title was developed and designed by the CWA as a means of keeping represented members on the cutting edge of their skill and therefore avoid giving the company an excuse to bring in outside companies to undertake work with new technology. Training relies on deepening existing skills by adding new technologies and lateral skilling in new areas, including learning concepts of teamwork and communication and incorporating certain management tasks. Hence, rather than training the employee to undertake a longer list of existing tasks, as was the case with the Super Tech, the TTA training is designed to meet the challenges of the future by training employees to work with a range of cutting edge technology, including DSL. It is akin to a one-stop shop for engineers that would be viable in a high tech, computer related environment, such as large customers in Wall Street, where engineers could deal more effectively with a problem from beginning to the end. This programme has represented a big investment for Bell Atlantic, with some 1200 Bell Atlantic technicians on the course in 1999 and around 300 having graduated. Significantly the CWA has also convinced other RBOCs including GTE, SBC and US West to undertake similar initiatives.

The distinctive route towards skill formation and labour practices that Nynex adopted between 1991 and 1999 went against a general trend in the industry towards

re-locating customer service and network operations as a means to reduce costs. Yet, given the weakness of coordinating institutions to establish norms of training or labour practices beyond the firm, industrial relations agreements in the modern US telecommunications industry are inevitably unstable. Thus, when Nynex merged into Bell Atlantic in 1996, a change in management stance towards the unions was evident. Management began to resist the extension of union representation into new growth areas, such as wireless and interest in outsourcing was renewed.

The CWA did maintain its militant approach and political engagement after the merger, with some success. When, in 1995, Bell Atlantic announced its intention to break the industry pattern of wage increases and other improvements that the CWA had negotiated with the other RBOCs, CWA District One waged a successful five and a half month campaign of workplace mobilization that included refusal of voluntary overtime, street demonstrations, candlelight vigils and so called “just practising pickets”. The union ran TV ads and appeals to the general public to block enquiry calls and 900 calls that generate significant revenue for the company (CWA, Spring 2000). One of the union's levers was the threat of mobilizing the public against regulatory changes sought by the company. In the end, the CWA and Nynex agreed that there would be no forced transfers, layoffs or downgrades of bargaining unit workers because of the merger. The company then concentrated its cost-cutting reductions on the (historically dense) ranks of managers.

Nonetheless, District 1's power did erode following the merger. One reason for this was the decentralisation and downgrading of the labour relations function in the merged company. A point made by the CWA's District 1 head of Research was that after the merger the labour relations staff from the old Nynex were changed and the

labour relations department was downgraded so that deals could not be worked out because the individuals did not have the authority.

The deterioration in labour relations culminated in a two week strike by 72,000 customer service CWA members in August 2000 against forced overtime (workers can be asked to work an extra 10, 15 and in some cases 20 hours a week in overtime), job stress and job security. The result of the strike was that the union agreed to allow the company to transfer work from one call centre to another, while the company gave some ground on the issue of forced overtime. Verizon management also agreed to an expedited process to allow the CWA to organize workers in its rapidly expanding, and chiefly non-union, wireless division.

### ***The case of BT***

After its privatisation in 1984 the UK telecommunications market was progressively opened up to competition, although it was only in 2005 that Oftel, the UK regulator, recommended allowing outside companies full access to the BT exchanges. This should allow rival companies full control over a customer's line over the final mile.

BT's initial response after privatisation was to undertake a massive programme of investment, around £2bn a year, to update its network and increase efficiency. Digitalisation of the network increased from 23% of the network in 1988 to 64% in 1992. This was mirrored by a move to introduce intelligent networks that had the aim of shifting traffic back onto the public network by offering virtual private networks to create new revenues<sup>5</sup>.

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<sup>5</sup> It has also been argued that as well as being able to provide new services, one of the principal aims of investing in the intelligent network has been as part of a pre-emptive measure to deny competitors access to the public network (Mansell 1993).

The decade and a half after privatisation, employment relations in BT were dominated by the impact of job losses, management pressure for changes in working practices and the use of contractors and agency employees in a range of functions. Between 1981 and 1998 some 135,000 posts, representing roughly half the BT workforce disappeared. New technology was partly responsible for a large number of job losses, particularly in the exchanges, where digitisation of the equipment allowed the mechanical parts to be largely disposed of, making groups of skills completely redundant. Perhaps more significantly however, management abandoned the tightly governed work practices that were a feature of previous national agreements with the unions.

The National Communications Union response to the job cull was largely reactive and defensive partly because, unlike the US companies, job cuts were achieved with no compulsory redundancies. This was achieved firstly because the regulator eschewed the break-up of BT, allowing the company to re-deploy large numbers of employees from manual engineering functions into customer service areas where job opportunities were growing within the organisation. Secondly, despite opposition to management, the ability of the Union to mobilize its membership was limited due to the relatively generous redundancy package, that on average cost the company £35,000 per employee (Batt and Darbishire 1997), leading to a massive over-response by employees, some 45,000 applied for voluntary redundancy.

However, Union strategies also need to be understood in the context of the post-Thatcher reforms that were designed to severely marginalize (though not de-recognize) Unions over substantive issues and narrow the bargaining agenda in the context of a hostile regulatory environment, a process that was particularly evident in ex-nationalised companies such as BT. Moreover, in the context of sharp

technological change that reduced the need for manual jobs and despite a Broad Left leadership, the NCU was unwilling or unable to adopt an offensive position against management. On the contrary, the union took the view that it was still able to influence BT management in identifying employee grievances and in particular, encourage greater employee re-training and re-deployment of staff in return for employer access to good quality training and career development (CWU 1999).

The success of the HPWP initiatives in BT was mixed. Management attempted to introduce workplace team briefings to discuss and potentially share innovative ideas and there is evidence from National Communications Union surveys to suggest that employees valued these initiatives (Ferner and Terry 1997). However, it also appears that these initiatives were undermined by the downsizing drives, disappearing career opportunities and pressure of work that cut across effective team building drives (ibid). As a result none of these systems were able to achieve much in the way of committed, innovative teamwork.

This was the case in both engineering and customer service, where most employees faced a loss of task autonomy. Mobile engineers (i.e. those that work outside premises and homes), for example, were introduced to the *Work Manager*, a hand held terminal that allows a central controller in an office to direct engineers in the field to what jobs they have to do, where these jobs are located and the amount of time they have to do each job. This has been a major source of resentment because engineers felt it undervalued their skill and robbed them of discretion. As BT exchange engineers puts it,

“Unfortunately BT is going down the realms of *Work Manager*, which is used in all the field staff. For short simple tasks it might work, but not intermittent problems that are quite common. When I was on *Work Manager* I basically

fought the machine and wouldn't let it get the better of me (BT non-management technical officer)".<sup>6</sup>

BTs relationship with the CWU has been dominated by management challenges over union control over work organization while at the same time reaching compromise over job losses and re-grading exercises. In return for no compulsory redundancies, the CWU did not seriously oppose rationalization. Thus, the so-called "re-patterning agreement" between 1986-88 redefined engineering jobs so that staff could work on either installation or maintenance according to operational need. Fixed staffing ratios between higher and lower grade staff in work teams were abolished, allowing staffing to be adapted to variations in local circumstances (Tong 1993).

With the agreement of the CWU, management also achieved a profound re-grading exercise around "Project NewGRID" (the grid being a table showing the pay and grading structure) in 2000. This involves breaking down the strict specialisation of narrowly defined tasks that characterised previous grades. NewGrid will reduce the number of job grades from around 130 to 4 skill bands with a maximum of 8 pay points. This is designed to simplify the process of transferring employees into different jobs and hence allow greater flexibility for individuals to make career change across a broader span of jobs. In recognising the pace of technological and market change affecting the industry, the CWU has in effect offered to drop its opposition to intra firm movement of employees as and when determined by management, in return for greater employment security. Hence, restructuring of BT

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<sup>6</sup> The experience of *Work Manager* in BT contrasts with that of Bell Atlantic. Services technicians use a hand held terminal but, according to an employee interviewed in Pennsylvania, it has not been developed as much as they would like. He commented "I have one in my truck but I never use it".

production and labour market strategy has not precluded broader agreements on new forms of work organisation.

### ***Comparisons***

At the end of the 1980s and throughout 1990s, all three companies were faced with new competition as a result both of government liberalization policies and the spread of new telecommunications technologies. Among the tools the three companies all attempted to use in this situation were new work practices involving increased task flexibility, skill development, consultation and communication within the workforce, and flexible employee response to customer needs; we classify all of these as HPWPs. Other tools included outsourcing, hiring temporary workers, and buying companies which had the desired technologies or operations; these might be called the market option. While it is common for companies to use both HPWPs and the market option, there is a tension between the two, to the extent that HPWPs depend on mutual employer-employee commitment. A company's commitment to HPWPs may reduce its ability to cut costs through the market option, and thus increase union leverage. The different external environments of the three companies also influenced the mix, and the success of these tools; so did the relationship between the companies and the unions representing their workers.

Although historically a leader in telecommunications and computing R&D and manufacturing, AT&T's relatively exposed post-deregulation market position led it to make a strategic decision to buy in new technological competencies. This limited the gains it could expect to obtain from HPWPs, and limited its ability to credibly promise gain sharing in return for employee cooperation with the introduction of HPWPs. Workplace of the Future, the company's major effort in this regard, appears to have done well only where the CWA was strong enough that it had the ability to

shape the implementation of the programme and to contain management opportunism; elsewhere in AT&T, the union was not so strong that it could expect to steer the programme, but it was strong enough to make it a dead letter where it had a significant presence.

While AT&T was buying in new technological competencies, Nynex was attempting to outsource areas of its customer service work. The CWA was able to block this move with a combination of threatening industrial action and writing the customer service restructuring plan itself. At Nynex, the CWA was also able to steer retraining and multi-skilling initiatives so that these were pro-active and focussed on new technologies, rather than re-active and focussed on an existing menu of tasks. It did this through a combination of non-cooperation with a more limited programme introduced by the management and, again, proposing an alternative programme, which in this case became a model for other phone companies.

The CWAs relative strength at Nynex had its foundation in both institutional factors (the more secure market position of the company; the union's ability to either help or hurt the company in regulatory matters) and in the conscious actions of the key agents (a greater tradition of militancy within that region of the union and, following that same tradition, the company's willingness to deal with the union at the highest level). While it would be tempting to attribute the outcomes of HPWPs to the first two of these four factors - plain features of the institutional structure - the fact is that at Nynex before its merger into Bell Atlantic, the CWU achieved outcomes which were superior to those it achieved in most of the RBOCs; whilst those other companies had essentially the same institutional environment, except for some regulatory differences between states.

The contrast between the Nynex and BT experiences underscores this point. Despite a seemingly unshakable institutional presence, the CWU at BT accommodated a range of management initiatives to make the deployment of labour more flexible and also to institute minute task control over many skilled technical jobs. This represented a considerable cession of the union's customary control over work organization, viewed as the price of avoiding compulsory redundancies. Yet the union and the workforce did little to support HPWPs, such as the consultation programme introduced by management.

The CWU's approach is not surprising in the context of British trade unionism in the period studied. On the one hand, in contrast to their American counterparts, unions in large British companies faced relatively little threat to their survival in terms of recognition; on the other, they had reason to fear both incorporation and marginalisation, a fear that applied, among other things, to their role in the adoption of new work practices (Hyman and Mason 1995, 151). Although it would appear that the fear of marginalisation has increasingly taken the upper hand since the 1980s, most British unions would nevertheless seem to be more cautious in the extent of their positive engagement in HIWPs - and the union at BT is indicative of this. Also, of course, the danger of union incorporation remains a very real one in some US employment sectors, not least in light of the significant tradition of business unionism. Whatever the reason, although the CWU was the union in the most secure institutional position of the three studied, it did the least to further the adoption of new mutually beneficial work practices, and found itself fighting a rear-guard action against Taylorist timekeeping.

## **6. Conclusion**

How does the response of unions affect the nature and fate of new work practices, particularly 'high performance' work practices (HPWPs)? We have considered this question in the case of an industry facing new competition and, at the same time, undergoing rapid technological change. Unions in three different companies dealt with work practices very differently. To some extent the difference in response - and in outcomes - can be explained in terms of environmental constraints, but to some extent it is also a result of strategic choices on the part of both the unions, and the employers.

HPWPs seem, to many, to offer a reliable recipe for mutual gains, yet their adoption is patchy. One explanation for this patchy adoption is that it is in the nature of HPWPs that they alter power relations within workplaces; for this reason, any particular HPWP package can, even while raising productivity, leave either labour or capital a net loser. Since many HPWP programmes require the participation of both labour and capital, this is often a deal breaker. Our case studies, together with prior research, tell us something about the conditions under which HPWP schemes can succeed, and why such success is not more common.

One condition is that the union, as well as the employer, be engaged in the development of the program. Given the large number of forms an HPWP package can take, any party not engaged in its development is likely to find that the package which has been developed slights its interests in some important way, and find it in its interest not to cooperate fully in the implementation of the package. Thus, the successful new work practices in the Nynex case were those the CWA took an active part in developing. This accords with Frost's (2001) findings.

A second factor is the capacity to fight the employer (or power), and its willingness to do so (or militancy)<sup>7</sup>. Union power and militancy can contribute to the successful adoption of HPWPs in two distinct ways. One is by serving as elements in an enforcement mechanism in a game over HPWP adoption: if a credible threat of union retaliation is absent, the employer's promises of gains under HPWP will not be credible, and the union can be expected not to cooperate in the implementation of the HPWPs. The second is that HPWPs are more likely to succeed if the union has the ability to forestall a low-road route. The Nynex case study shows elements of both of these.

A number of different factors may contribute to capacity and willingness to fight. Some are institutional, whether in the form of labour law, or company practice (an example of the latter being union access to top management at Nynex, prior to merger into Bell Atlantic). Others have to do with the organizational capacities, and attitude, of the union. In AT&T's network services division, the CWA had the organizational strength needed to engage constructively with the company's Workplace of the Future program, and that is where the program succeeded. Enforcement may require the mobilization of union members outside of the routines of periodic contract bargaining, directly challenging the management agenda. In such cases we would say that the requisites of successful defence of a cooperative solution include union militancy. We would include in this, cases of the mobilization of the members of other unions, or of customers, such as with the CWA District 1 campaign in 1995.

In other cases, however, the union may lack the power to block a low-road route, and the employer may not be able to credibly commit to an HPWP program in which

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<sup>7</sup> We assume that, on the employer's side, the ability and willingness to fight are not in question.

labour gains anything. In this case, the union's actions are likely to be directed at blocking, or containing, HPWP initiatives. AT&T lacked the ability to commit credibly to mutual gains of HPWPs in most of its divisions, both because of competitive conditions in the long distance market, and because of the strategic choice the company had made to buy in technological competencies through mergers and contracting.

It is too easy, however, to think of each of these cases as if they involved nothing other than the union and employer responding to hard environmental constraints. For the union's part, militancy and engagement grow out of choices made by union members and leaders, and they can be put to different uses. So, while we could read the CWU's passive role in the restructuring of work at BT as determined by generous severance conditions (which drained credibility from any union threat), it seems likely that other actions were possible. Similarly, it is easy to imagine courses of action at Nynex in which the CWA either did not engage, or failed to engage successfully, on work practice issues.

We should note the particular role played by the case study method in reaching our conclusions. A number of key observations - for instance, within a company, which HPWPs were reckoned successful, and which not; how these successes and failures related to union strength, union attitude, and union participation; how we should describe the company's strategy with regard, say, to internal development vs. buy-in of technical competencies - would have been difficult to pick up by any other method.

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