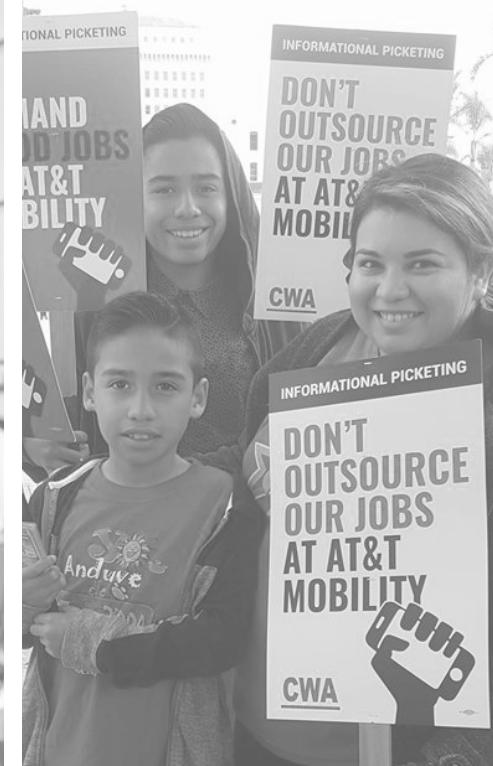




OFFSHORING CUSTOMER SERVICE



How AT&T Lowers Standards for Workers
and Consumers through its Global Race to
the Bottom



The Communications Workers of America represents 700,000 workers across the United States, including more than 100,000 at AT&T.

For more information on efforts to protect good jobs at AT&T, visit www.GoodJobsATT.org.

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INTRODUCTION

FIGHTING TO PROTECT GOOD JOBS IN THE U.S. AND CHALLENGING LABOR EXPLOITATION GLOBALLY

AT&T is the largest telecommunications company in the country with \$164 billion in sales and 135 million wireless customers nationwide.¹ The company also touts its investments in the U.S. economy and its workforce.² Yet AT&T's executives have chosen to undermine good jobs and quality customer service in the U.S. by offshoring thousands of call center jobs to other countries. This report provides a window into AT&T's global network of call centers and how the company's race to the bottom for the lowest wages has a profoundly negative impact on workers, communities and customers.

AT&T has eliminated more than 12,000 in-house call center jobs since 2011, representing over 30% of its call center employees across all business divisions. During that period, the company closed more than 30 call centers and downsized dozens of the remaining centers substantially.³

Meanwhile, AT&T has contracted with third party vendors to handle many of its customer service calls. Over the past two years, AT&T has utilized a network of at least 38 call centers in eight countries, enabling the telecom giant to eliminate thousands of U.S. jobs and send work overseas to low-wage countries with weak labor protections and inadequate legal enforcement mechanisms.⁴ AT&T has also opened its own call center in Mexico, which currently employs 500 people, and is expected to expand to 5,000 employees.⁵

Most of the workers outside the U.S. who answer AT&T customer calls are paid pennies on the dollar compared to U.S. wages. Their

earnings are often inadequate to support workers and their families. They face intense pressure to meet sales goals and those who have attempted to advocate for improved conditions have met severe retaliation.

Customer service suffers when workers are underpaid, undertrained and forced to meet unrealistic goals. Contractors cause extensive headaches for customers at AT&T, harming the company's reputation and its ability to retain subscribers.

Call center workers in the United States are aware of the divide and conquer strategy used by giant corporations, and they are speaking out against offshoring and global labor exploitation. They have won meaningful victories. At Verizon, workers went on strike for 49 days and won 1,300 new call center jobs.⁶ At AT&T Southwest, the company agreed, as part of a recent union contract settlement, to establish 3,000 new jobs in that region, including many that are currently offshore.⁷

Yet AT&T and other companies continue to insist on shuffling customer service work to whatever location and employment relationship they find most convenient and profitable. Workers and communities are not satisfied. Right now, forty thousand AT&T employees are fighting for fair contracts across the company's wireless, wireline and DIRECTV divisions. They are calling on AT&T to stop its rampant outsourcing of their jobs.

This report details the impact of AT&T's offshoring on workers and customers who are the driving force behind the company's success. It is primarily based on interviews and surveys of hundreds of workers in the United States, El Salvador, Mexico, the Dominican Republic and the Philippines. The Communications Workers of America collaborated on this report with partners in each country and thanks those partners for their work in gathering information about the experiences of the global call center workforce.

AT&T's Network of Offshored Call Centers

AT&T employs global contractors to run a large portion of its customer service operations. And AT&T is not simply turning to vendors when its in-house call centers are overloaded. The company has established a permanent global network made up of thousands of low-wage workers around the world who handle a significant share of AT&T's customer service, sales, tech support, and other services.

The so-called "business process outsourcing" (BPO) industry is a large and growing global sector that competes intensely to offer corporate clients the lowest prices and most technologically and culturally adept services. Some vendor companies depend on AT&T for a substantial part of their business, and AT&T has come to depend on these companies to provide access to a flexible labor supply across many countries.

For example, call center giant Convergys earns \$600 million in revenue from AT&T each year, 20% of its total sales, and serves AT&T in at least five countries.⁸ Table 1 provides a snapshot of where AT&T's major vendors provided customer service during 2015 and 2016.⁹

Headaches for Customers

The employees at AT&T vendor call centers around the world work hard to provide good service, but they often face obstacles, such as inadequate training and intense pressure to achieve unreasonable metrics. And in some cases, vendor employees have engaged in misconduct that had the potential to cause serious harm to customers.

Data Breach Dangers

In 2015, a handful of workers at AT&T vendors in Mexico, Colombia and the Philippines were involved in a scam that

TABLE 1

| VENDOR NAME | CANADA | COLUMBIA | COSTA RICA | DOMINICAN REPUBLIC | EL SALVADOR | INDIA | JAMAICA | PHILIPPINES |
|-----------------------------------|--------|----------|------------|--------------------|-------------|-------|---------|-------------|
| Advanced Call Center Technologies | | | | | | | X | |
| Alorica | | | | X | | | | X |
| Concentrix | | | | | | | X | X |
| Convergys | | | X | X | X | | | X |
| IBEX Global | | | | | | | | X |
| Startek | | | | | | | | X |
| Sutherland | X | X | | | | X | | |
| Sykes | | | X | | | | | X |
| Teleperformance | | X | | X | X | X | X | X |
| VXI | | | | | | | | X |

resulted in “the unauthorized disclosure of almost 280,000 U.S. customers’ names, full or partial Social Security numbers, and unauthorized access to protected account-related data.”¹⁰ The workers provided that information to third parties who were believed to be trafficking in stolen or secondary market cell phones and used the customer account information to unlock those phones.

These findings arose from an investigation by the Federal Communications Commission (FCC) of a 168-day data breach at an AT&T contractor in Mexico. AT&T admitted as part of the investigation that approximately 40 employees at Colombian and Filipino facilities had accessed customer information as well. The company settled for \$25 million – the FCC’s largest privacy and data security enforcement action to date.¹¹

As part of the settlement, AT&T agreed to appoint a compliance officer, implement an information security program, regularly train employees on compliance and take other preventative measures. However, AT&T manages a sprawling global network of vendors and it is unclear whether they have implemented adequate compliance systems across all locations.

Bugs in the System

CWA conducted a survey of 170 U.S.-based employees at AT&T’s internal, corporate-run call centers to learn about the impact of vendors on their jobs and their customers.¹² Eighty-five percent said that they have to solve customer problems caused by vendors multiple times per week. Of those surveyed:

- **92%** said that vendors provide inaccurate information about services or terms;
- **83%** said vendors fail to solve problems to customer’s satisfaction;
- **77%** said that vendors offer credits that cannot be honored;

- **67%** said that vendors offer promotions or products that are not available;
- **53%** said that vendors enroll customers in services not requested.

Corporate employees believe that vendors provide inadequate training on AT&T policies – they hear from customers that vendor employees have made offers that are unavailable or described terms of service inaccurately. This leads customers to distrust AT&T.

Customer Disservice: Poor Outcomes from AT&T’s Call Center Vendors

- Failure to record information in a customer account, leaving customer to start from scratch when they call again.
- Cold transfers to another department without introduction.
- False promotions, such as unlimited data or a free phone, to close a sale of DIRECTV or another AT&T product.
- Offers of a free tablet or watch without disclosing a 2-year service commitment.
- Addition of new phone lines or insurance without customer knowledge.

As we will see, vendors may allow their employees very little time between calls and enforce strict metrics and sales quotas. Therefore, it is not surprising to hear from corporate employees that vendor employees often fail to record details of their interactions in the customer’s account, leaving the customer frustrated because they have to start from scratch when they are transferred or call back. Vendor employees also reportedly promise callbacks to customers without delivering, and “cold transfer” customers to other departments without introduction.

Corporate employees described vendors as being focused on sales over service, and offering false promotions to close a sale.

Multiple respondents described promotions that were misrepresented by vendor employees. For example, customers were offered a free iPhone 7 upgrade or free unlimited data if they subscribed to DIRECTV, offers that were not actually available.

In other instances, vendor employees promised free tablets or watches and did not explain that the deal came with a two-year service commitment. Corporate employees also reported that vendors added insurance or additional lines without the customer's permission.

Negative Impacts on Corporate Employees

Corporate employees' job security and compensation is also at stake – they report receiving negative scores on satisfaction surveys, either because they have to revoke credits or because customers are expressing dissatisfaction with vendors. These scores

can lead to unjustified discipline and eventual termination.

Corporate employees also report having to stay on calls for long periods to resolve issues, thereby hurting their "average handle time" metric, which is part of their evaluation and a factor that helps determine whether they receive incentive pay.

One corporate employee said she was unaware of any procedure for her to submit feedback about vendors, thus leaving problems unaddressed.

Corporate employees understand that vendor employees are focused on selling more products because they have to meet sales quotas. Unfortunately this sales-focused system, paired with inadequate training on AT&T policies, can lead to poor customer outcomes that land at the feet of corporate employees who are the end of the line in resolving customer complaints.





AT&T Call Center Closings Since 2011

Call Center Downsizing Hits U.S. Communities

Since 2011, AT&T has closed more than 30 call centers and downsized dozens of the remaining centers substantially, for a loss of more than 12,000 jobs.¹³ AT&T call center jobs have provided an important source of economic growth in dozens of communities, including many reeling from the loss of manufacturing jobs. But when these services are outsourced to low-wage contractors, communities lose yet another large pool of family-supporting jobs.

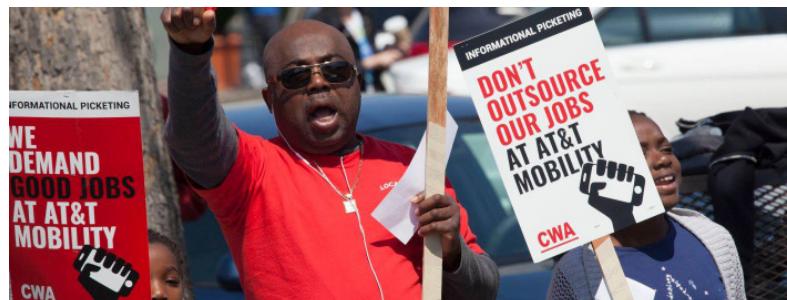
In December of 2016, AT&T closed a call center in Ridgeland, Mississippi serving the growing wireless division of the company. The center employed about 110 people at the time of the closing, down from approximately 500 workers in 2004. The closing removed decent jobs from a working class suburb of Jackson. Kanika Holloway, a mother of three who lost her job in the closure explains, "The

call center closing hit me hard. I was there 15 years and planned on being there longer. There aren't many jobs in this area that pay even close to AT&T and definitely not the same benefits."

In Atwater, California, AT&T closed another wireless call center employing 400 people in 2014. Atwater is a rural area with few other good jobs. Many members had come from Welfare to Work programs and for many others it was their first union job where they got health insurance.

At the time, Atwater Mayor Joan Faul said the closure was "a major shock." She told the *Merced Sun-Star*, "This is just really devastating to the people losing their jobs and to the city. There's just no other way to describe it."¹⁴

In Pittsburgh, AT&T closed a call center serving its wireline business in 2013. During the 1990s, there were over 1,000 people in the building. When it closed, the center had 225 workers, and only 12 people transferred to other AT&T positions. Many of those who lost their jobs were older people with over twenty-five years at the company. According to Secretary/Treasurer of CWA Local 13500, Mary Lou Schaffer, "The loss of these good paying jobs with benefits certainly hurt the Pittsburgh area."



"The call center closing hit me hard. I was there 15 years and planned on being there longer. There aren't many jobs in this area that pay even close to AT&T and definitely not the same benefits."

--- Kanika Holloway

Former employee at closed AT&T call center in Ridgeland, MS



GLOBAL CASE STUDIES

Through four case studies, we will explore what it is like to work in call centers serving AT&T around the world.

THE PHILIPPINES

*Over A Million Workers
Behind the Scenes*



The Philippines is home to the largest number of AT&T contracted call centers of any country outside the United States, with at least 16 call centers serving AT&T in 2015 and 2016 across eight companies.¹⁵ AT&T is following a trend: the Philippines is one of the largest offshore call center markets in the world, with more than 1 million jobs in the BPO sector, even more than India, of which about 70% serve the U.S. market.¹⁶

Surveyed workers at four AT&T vendors in the Philippines earn monthly base wages from \$281 to \$361 U.S. dollars, which is equivalent to \$1.60 to \$2.05 per hour for a 40-hour week.¹⁷ Some also receive a transportation and meal allowance, ranging from one free meal per day to an \$80 monthly allowance. In a survey of 45 workers at the vendor Alorica, 50% said their wages were inadequate to meet basic needs, and those living with partners were more likely to find wages insufficient to support their family.

Workers can theoretically earn monthly incentive pay between \$160 and \$803, depending on the company, but workers report that the metrics required to earn the incentive pay advertised in job postings are often too difficult to achieve. At two call centers run by Alorica, only about one quarter of workers surveyed actually earned sales incentives.

Oftentimes, performance metrics are outside

Base Wage Rates at AT&T Contractors

The Philippines: \$1.60 to \$2.05/hr

The Dominican Republic: \$2.13 to \$2.77/hr

El Salvador: \$2.36 to \$3.41/hr

Mexico: \$3.97 to \$4.58/hr



the workers' control, like repeat call backs when customers experience service outages, and the need to transfer customers to other departments to resolve issues, both of which are counted against workers. Workers sometimes lose their perfect attendance status because a work station is unavailable at the start of their shift, thus becoming ineligible for part of their incentive pay.

AT&T is viewed as a particularly punitive client by workers in the Philippines because it requires vendors to use an evaluation system that can lead to the termination of employees very quickly if their performance does not hit certain metrics. Unlike other client companies that allow workers more time to improve, AT&T gives only two to three months for workers to achieve performance targets before they are terminated.

The extent of AT&T's control was noted by a worker at IBEX Global, who said that AT&T intervenes directly when a team leader does something wrong, rather than going through IBEX management. Similarly, at a VXI call center, a worker reported that a visiting AT&T representative fired her coworker on the spot in December of 2016.

Over time, vendors in the Philippines have been reducing wages as the growth of regional call center hubs in outlying areas increases the labor supply. The deregulation of minimum wages and increase in "flexible" arrangements like seasonal and fixed-term employment have also contributed to an overall decrease in wages.

Call centers are viewed as a growth sector and the Philippine government provides extensive tax subsidies to encourage this

type of foreign direct investment, particularly in dedicated “Economic Zones.”¹⁸ The Philippine BPO industry association has successfully lobbied to minimize government regulation, arguing that the industry self-regulates in the area of labor relations.¹⁹ The downside of this growth story is that working people have very little voice in the BPO sector and face retaliation when they join together and advocate for better conditions.

VXI: Inadequate Training & Skills Development

Sheryl is 32-years-old and works at VXI in Buendia, in Metro Manila, as a Business Care Consultant on AT&T’s U-Verse internet accounts. She is the breadwinner for her family and supports her younger siblings who are attending school. Sheryl has worked at VXI for two years. She likes the incentive pay available, but notes that her bonus for perfect attendance is 40% lower than workers who were hired before she was.

Sheryl wants her employer to conduct more trainings and skill upgrading for employees. At VXI, workers are pushed to do web-based training during their shift using voluntary time off, thus reducing their wages. While some workers plan to raise concerns about this practice, Sheryl believes the grievance process at VXI is only for show and does not function effectively. She also points out that despite having moved from probationary to regular employment status, there is little job security because workers can be terminated if they fail to meet unrealistic sales goals and other performance metrics.

Workers report that their employee handbooks prohibit them from joining a union and this is reiterated during orientations and training. At Alorica locations in Metro Manila, workers formed a union in 2015 and were recognized by the government in accordance with Philippine

labor laws. However, Alorica has aggressively sought to decertify the union and has harassed union officers and discouraged employees from participating in union activities.



THE DOMINICAN REPUBLIC

Squashing Workers’ Rights

AT&T has contracted with at least three vendors in the Dominican Republic in the past year: Teleperformance, Alorica and Convergys. Workers at these centers are actively advocating for their union rights and have faced severe retaliation.²⁰ While Dominican labor law protects these rights, the government does not adequately enforce these laws.

AT&T recently ended its account with Convergys in the Dominican Republic serving DIRECTV customers. The base wage for workers on that account was equivalent to \$2.77 U.S. dollars per hour. Workers reported that the basic salary was too low to get by and that it is very difficult to meet the very high goals to earn incentive pay.

Workers also said that their pay was docked if they need to go to the bathroom and that managers were abusive and put excessive pressure on workers. **When workers tried to organize a union, all of the individuals involved were fired.**

At Alorica, which serves DIRECTV customers in Spanish and English, the base wage is equivalent to \$2.13 per hour for Spanish-language service and \$2.77 for English-language, and once again, incentive pay is generally out of reach because of the unrealistic metrics required. Workers experience similar problems to those at Convergys with docked pay and abusive management. Last April, workers formed a union to advocate for better conditions.

Management responded by firing or suspending workers involved, threatening to put union activists on a black list that would prevent them from getting jobs at any call center, interrogating employees about who was involved in the union, forming a company-controlled union led by managers, and other forms of harassment and intimidation.

At the third contractor, Teleperformance, which serves AT&T's prepaid Cricket customers, the base wage is equivalent to \$2.77 per hour, with incentive pay mostly out of reach. Workers on the Cricket account have received no raises since the account started, around 2012. Workers on the night shift are required by law to receive a 15% premium, but until recently, management had been removing this extra pay if workers logged off the phone for more than 10 minutes, an illegal denial of that wage premium. Workers protested this practice and management has mostly stopped illegally deducting the premium.

Workers at Teleperformance formed a union in June of 2016. From the beginning, they have faced an intense anti-union campaign from management, including ongoing attempts to deregister the union through the courts, firing of union leaders, threats of black listing, a prohibition on employees making pro-union comments, false accusations of fraud against workers involved in the union, and other forms of intimidation. Union leaders have faced intense harassment from management and some have been forced to quit.

The company attempted to fire one union leader, Oliver Benson, because he wrote the following on social media:

"Companies like Verizon, AT&T, Samsung and others outsource their operations to companies like Teleperformance, Convergys and Alorica with the objective of reducing COSTS. These companies take advantage of the economic situation

and the low educational quality of many countries in the world, mainly in Latin America, to squash labor rights and basic human rights."²¹



Union activist Oliver Benson in front of the Teleperformance call center where he works.

As call center workers in the Dominican Republic continue to organize for their rights, they are asking for workers and consumers around the world to stand with them and ask AT&T, Teleperformance and other contractors to respect the basic right of workers to come together to advocate for improved conditions.

EL SALVADOR

Jobs Without a Future



AT&T uses at least two vendors in El Salvador, the global giants Teleperformance and Convergys. These call centers provide bilingual service to U.S. customers of AT&T. Workers often study English in government-supported language programs and some are former U.S. residents who have been deported.²² They earn a monthly base wage between \$415 and \$600 U.S. dollars, which equates to \$2.36 to \$3.41 per hour, with the opportunity to earn bonuses between \$100 and \$200 per month.²³

Teleperformance has a longer relationship with AT&T in El Salvador than Convergys, and pays lower wages, which fall below the minimum family income needed to meet basic needs of \$638.40 per month for a family of five. Convergys pays somewhat above that minimum level, when bonuses are included.

In a focus group of 25 workers, we found that these wages are not enough to support a family, with nearly 90% of the workers reporting that other members of their household contribute earnings. Workers also report a high level of consumer debt, with nearly all the workers interviewed reporting credit card debt or personal loans.

While call center workers in Latin America are stereotyped as young people seeking work during school, about two-thirds of the 25 workers interviewed had dropped out of college and only five people were still studying. Researchers believe this high drop-out rate is due to fatigue and deteriorating health due to working conditions, along with family obligations.

At Teleperformance, workers report intense pressure to achieve performance goals, including an almost complete ban on taking even a few seconds between calls to make notes. They also describe poor conditions, including dirty bathrooms with only three stalls for 100 people.

The Salvadoran government has encouraged the growth of the call center sector, with a 2007 law on international services that exempts these businesses from paying the majority of standard business taxes. Despite extensive government investment in the sector, workers have few protections and call centers experience 40-50% annual turnover of their workforce.

MEXICO
*Direct Investment in
Low-Wage Jobs*



AT&T is not depending solely on contractors to lower the cost of customer service. It now has its own major call center outpost in Mexico, sending calls from U.S. consumers to workers who earn a fraction of AT&T's U.S. employees.

In 2015, AT&T entered the Mexican wireless market by acquiring several wireless properties, a move enabled by changes to

Mexican telecommunications law.²⁴ Alongside this business investment in Mexico, AT&T recently built a large call center outside Mexico City that primarily serves the U.S. market.²⁵ So far the center has hired about 500 workers, with plans to expand to 5,000.

AT&T is offering above-average pay to attract workers, \$697-\$804 U.S. dollars per month, or \$3.97 to \$4.57 per hour. This compares to as low as \$1.52 an hour at the Mexico City location of AT&T contractor Teleperformance. AT&T has phased out its accounts with Teleperformance in Mexico since opening its corporate call center, and the Teleperformance workers have not been offered jobs at the new location.

RECOMMENDATIONS

AT&T's call center employees are increasingly frustrated with the company's widespread outsourcing and exploitation of workers around the world. They are calling on their employer to invest in its U.S. workforce and stop eliminating good jobs in their communities. They are also calling on the company to require its contractors to adhere to the same standards that AT&T does itself in respecting workers' rights to form unions and engage in collective bargaining. It is not enough to conduct business as usual in countries that do not uphold labor laws; AT&T must hold its contractors to a higher standard and monitor their compliance with both local laws and international standards of labor rights. With higher labor standards will come a higher standard of customer service and the ability to win greater customer loyalty for America's largest telecom company.

ENDNOTES

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24. AT&T Corporation, Form 10-K for the year ended December 31, 2016, page 10.
25. The information regarding working conditions in Mexico was gathered by the Mexican union RED Sindical Nacional. All currency conversions are based on exchange rates on April 21, 2017 of 18.658 Mexican pesos per U.S. dollar.