



AT&T 2018 JOBS REPORT

Telecom Giant Hollows Out Middle Class Workforce and Outsources to Global Contractors, Even as it Reaps Tax Windfall



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

Iconic U.S. telecom giant AT&T received an unprecedented windfall from the Tax Cuts and Jobs Act of 2017, which President Trump signed into law in December 2017. But despite this massive boost to its profits, the company is choosing to undercut and offshore American jobs. So far in 2018, AT&T has eliminated 10,700 union jobs across its business and announced the closure of three more call centers in the Midwest.

AT&T lobbied aggressively in favor of the tax cuts, and CEO Randall Stephenson went on the record with promises to create thousands of jobs should the bill pass:

“By immediately lowering the corporate tax rate to 20%, this bill will stimulate investment, job creation and economic growth in the United States... If the House bill is signed into law, we’d commit to increasing our domestic investment by \$1 billion in the first year in which the new rates are in place. And research tells us that every \$1 billion in capital invested in telecom creates about 7,000 good jobs for the middle class.”¹

“From my standpoint, the driver of this is the business tax reform... if we get investment going, we get productivity going, we get wage gain going, we invest another billion dollars. Every billion dollars AT&T invests is 7,000 hard hat jobs. These are not entry-level jobs. These are 7,000 jobs of people putting fiber in the ground, hard hat jobs that make \$70,000 to \$80,000 per year.”²

AT&T has also said it wants to retrain half its 250,000-person workforce for the twenty-first century.³

In stark contradiction to these grand statements, AT&T continues to eliminate thousands of good, family-supporting jobs

from coast to coast, and has cut more than 16,000 call center jobs in the past seven years alone. Instead of investing in its workforce and transitioning to jobs of the future, AT&T is laying off American workers and relying increasingly on a global web of low-wage contractors to provide customer service and network maintenance.

If AT&T wants to maintain its credibility as a responsible corporation, it must stop destroying good jobs and betraying workers who have dedicated decades of their lives to an employer they believed in.

AT&T reaped billions due to the recent tax cuts and has robust profits

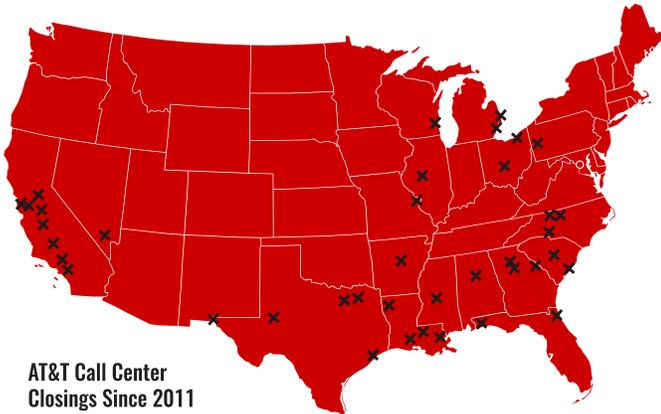
AT&T saw profits of \$29.5 billion in 2017, compared to \$13 billion the previous year. This massive increase reflects a \$20 billion boost from the Tax Cuts and Jobs Act in the form of a reduction of future tax liabilities on AT&T’s balance sheet.⁴

Thanks to the tax cuts, the company also expects a \$3 billion annual increase in cash profits starting in 2018.⁵ Despite these supercharged profits, the company announced plans to spend just \$1 billion more on capital projects and pay a bonus of merely \$1,000 to its employees, which amounts to a one-time \$200 million expenditure, or 7% of AT&T’s expected annual benefit from the tax cuts.⁶ Meanwhile, the company is on track to pay out three-quarters of its 2018 profits to shareholders in the form of dividends and share buybacks.⁷

AT&T’s business is extremely profitable, with strong growth in its DIRECTV NOW streaming service and international business offsetting a gradual decline in legacy landline. Aggressive investment in fiber promising promises a strong future for fixed broadband service and a large-scale deployment of new wireless infrastructure is setting AT&T up to launch mobile 5G in 2019. All in all, AT&T is a highly profitable company with a promising future

ahead and ample financial ability to invest in its workforce.

Yet AT&T continues to lay off thousands of long time employees, eliminate call center jobs and move work offshore



Despite its strong financial position and promises to invest in its American workforce, AT&T has shifted much of its employment away from good, family-supporting jobs and towards a low-wage model that undermines the quality of its customer service and its standing as a good corporate citizen.

Since 2011, the company has closed 44 call centers and laid off thousands of workers, resulting in the destruction of 16,000 call center jobs nationwide. The workers at these call centers often had decades of service with AT&T and they and their communities feel betrayed when the company callously cuts their jobs and devastates their communities, especially while benefiting from billions of dollars in tax cuts.

In four Midwestern states – Ohio, Michigan, Wisconsin and Illinois – the company has laid off 2,300 workers in just the past three years. Much of the customer service work has been taken over by low-wage contract workers who lack adequate training, many of whom operate overseas.

In early December 2018, AT&T announced another round of 172 layoffs in the Midwest,

almost all of them in call centers. The company will close three more call centers, in Indianapolis, Kalamazoo (MI), and Appleton (WI). Some of the affected employees may be able to relocate to the region’s two remaining call centers in Dayton (OH) and Southfield (MI) but many will be forced to leave the company.

In Michigan and Ohio – two states devastated by deindustrialization – AT&T already closed 4 call centers in the past two years. In 2011, over 1,000 people worked at these centers, which were located in Detroit, Port Huron (MI), Columbus and Cleveland and provided stable, family-supporting jobs. AT&T chose to shutter these locations and lay off hundreds of long-term employees, leaving them to start from scratch after dedicating their careers to AT&T.

CASE STUDY: Detroit Workers Protest Closure

Workers at an AT&T call center in Detroit were notified ten days before Christmas 2017 that their center was going to close, and they would lose their jobs.

Sheila Lewis, a two-decade employee at the center, loved her job – it paid well and she was very good at it. Just weeks after the closure announcement, Sheila was feted at a banquet where she won an award for being the number one representative in the collections department for recovering more than \$2 million for AT&T in 2017. Now she must borrow from her 401(k) for living expenses and is concerned about whether she can maintain health benefits.

Sheila said about her layoff, “I put in 20 years, and then AT&T laid me off along with 116 of my coworkers. The way they did it isn’t fair or respectful. It’s also bad business – the contractors doing our work cost the company money because of their poor service and harm to the AT&T brand.”

While AT&T blamed reduced customer call volume for the closure of three collections centers in Detroit, Kansas City and Dallas in December 2017, the company can decide where to route calls and continues to contract with global third-party call centers to handle collections cases.

CASE STUDY: Struggling to Get By After Call Center Closure in Columbus

In December 2016, AT&T closed a Columbus, Ohio call center that it had whittled down to 70 employees from a previous 400, as the company relied more and more on low-wage contractors.

Former customer service representative Linda Bradley had worked at the call center for 19 years before she was laid off in the closure. Linda relied on the AT&T benefits package that provided high quality health care for her four children, and valued her strong bonds with fellow long-time coworkers.

Since the shuttering of the Columbus center, Linda has struggled to make ends meet, especially with two kids still in high school who need money for school activities such as field trips and class projects. The job market for customer service work does not offer anywhere near the middle-class salary she had in her union AT&T position, and she has to tell her children she can't afford extracurricular activities.

Linda wants AT&T executives to know, "We're your frontline employees. We deal with customers who are bringing in the money. You should take us into consideration when you're making big corporate decisions and lining your pockets. We're everyday people and we're living our lives too. But you don't take us into account, you don't think about the employees who make the company work."

Midwest Call Center Workers Fight to Preserve Remaining Jobs

At the remaining call centers in the Midwest, workers are fighting to save the approximately 1,100 good jobs that remain. A call center in Dayton, Ohio absorbed some of the workers impacted by the closures in Columbus and Cleveland, but further layoffs have shrunk that center to 66 workers down from 150 in the early 2000s. Tomeka Cooley-Pettus, a 13-year employee in Dayton, called out AT&T's decision to trumpet the \$1,000 bonus tied to tax reform, and one week later announce a new round of layoffs at her call center. She says, "The company got rewarded with tax breaks, and real people got hurt. Communities like Dayton are struggling because of these job losses. Community stores are shutting down. A lot of people are leaving to find work somewhere they can make a living. Thanks to companies like AT&T, it's a race to the bottom instead of a race to the top."



In Appleton, Wisconsin, only about thirty workers remain in a center that had 400 just three years ago and now this center, too, is slated to close. AT&T worker and union member Betsy Lafontaine, who has worked at the Appleton center for almost 30 years, explains:

"Despite the fact that we have been one of AT&T's highest performing call centers, the company has had us in their sights for years. They have shifted our customer calls to offshore vendor centers where workers

TABLE 1

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

are paid less than \$5 an hour, and at the same have made our sales metrics tougher and more exacting to meet. As a result, even before the closure announcement, many of my dedicated co-workers had been 'performance-managed' out of their jobs. Now we have a tough choice - uproot our lives and transfer to another center that AT&T may shut down in a few years or try to find one of the few jobs here with good benefits and family-supporting wages."

The dire situation for AT&T call center workers in the Midwest is mirrored in much of the country. In the Southwest region, AT&T has reduced its call center workforce by nearly half since 2011 and in the Southeast, it has closed 13 call centers and laid off hundreds of workers in recent years. Zoom out to a picture that includes attrition and buyouts, and the Southeast has 2,800 fewer call center jobs today than it did in 2011. The company has also closed five call centers in California and cut the workforce by more than half. Altogether, AT&T has closed 44 call centers and eliminated more than 16,000 call center jobs since 2011, including thousands in its wireless division. If AT&T follows through on its plans to close centers in Indianapolis, Kalamazoo and Appleton in early 2019, that total will rise to 47. Meanwhile, its offshored workforce continues to grow apace.

AT&T Relies on a Global Web of Low-Wage Call Center Contractors

AT&T employs a global web of more than thirty third-party call centers to handle customer service, sales and tech support, enabling the telecom giant to offshore work to low-wage countries with weak labor protections and inadequate legal enforcement mechanisms. In a [2017 report](#), CWA documented the conditions at these international outsourcing giants that pay workers a small fraction of the wages earned at union call centers in the United States.

AT&T has also opened its own call center in Mexico, which currently employs over 1,000 people, and is expected to expand to 5,000 employees – drawing customer calls away from U.S. based centers. Recent reports indicate that workers in Mexico are being trained to do the same work as employees in the United States, including support for small businesses and bilingual customer service.

AT&T Cuts Technician Workforce, Relies on Contractors for Installation and Construction

AT&T is also slashing the jobs of technicians who build the physical network and install equipment in customers' homes.

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



In the Midwest, AT&T has eliminated 1,330 technician jobs in the past three years, even as it contracts out all of its network construction, much of its engineering work, and the vast majority of its satellite installation work. The installation of satellite equipment in customer homes is carried out by contractors like Mastec, DirectSat and Goodman Networks, where workers report stressful conditions and job instability.⁸

In the Southwest region, AT&T announced a mass layoff of 713 workers in December of 2017, including 152 technicians who install equipment in customers' homes. AT&T laid off these technicians even while it uses contractors to perform 85 percent of satellite installations. This corporate decision to use contractors instead of AT&T employees who are trained to do the same work violates collective bargaining agreements that commit the company to assign this work to direct employees who are well-trained and provide a consistent level of quality service.

AT&T has the choice to invest in its workforce. It has done so before, and so have its competitors.

AT&T can look to precedents for on-shoring call center work and bringing network maintenance in-house, rather than relying on contractors to do this critical work. In

fact, AT&T itself has recently negotiated agreements with the Communications Workers of America (CWA) to bring back call center work from offshore locations: it recently opened a wireless call center in Houston that will handle calls that previously went overseas and the company signed agreements that union-represented call centers will receive a minimum percentage of all wireless customer service calls. However, this incremental progress is not enough when AT&T is simultaneously laying off thousands of its long-term employees.

Competitor telecom companies have negotiated more comprehensive agreements with CWA that ensure a stable, well-trained workforce to handle customer service and network maintenance. At Verizon landline, the company guarantees that more than two-thirds of customer service calls are handled by in-house employees and in 2016 the company brought back 1,300 call center jobs in the Northeastern and Mid-Atlantic United States.⁹

At Frontier Communications, a large portion of the workforce has job security guarantees stemming from agreements with CWA at the time that Frontier acquired various assets. Frontier also committed to job security for all its 1400 employees in West Virginia after an 18-day strike in March of this year.¹⁰

AT&T has a history of constructive labor relations, to which it could return. When the company entered the DSL market and pursued more aggressive fiber deployment, it agreed with CWA that much of this work should be done by in-house, union technicians. Unfortunately, AT&T has changed its approach and now seeks to minimize its workforce as a cost saving measure. But this strategy has serious risks for America's largest telecom provider.

WHAT'S NEXT FOR AT&T

AT&T must examine its values and strategy as the telecom industry evolves. In order to compete effectively with cable and other wireless carriers to retain and win customers, AT&T needs an experienced, well-trained workforce. CFO John Stephens recently affirmed that “customer satisfaction is the number one driver of lower churn.”¹¹

Instead of eliminating long-term employees to save costs, AT&T should follow through on its promises to create and preserve good jobs. This includes retraining experienced workers as its business evolves. AT&T has received positive attention for its training programs that transitions engineers and IT employees into new roles, but this initiative largely excludes the front-line workforce that serves customers and maintains the integrity of the network every day.¹²

Communities across the country that have traditionally viewed AT&T as a good employer and an upstanding corporate citizen are losing their trust in this storied company. The question is, will AT&T work to regain the confidence of these communities and customers before its reputation has sustained irreparable damage?



ENDNOTES

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2. Yahoo Finance, "AT&T CEO says they'll invest 'at least' \$1 billion and create 7,000 jobs if tax reform passes," November 29, 2017. Available at: <https://finance.yahoo.com/news/atandt-ceo-says-theyll-invest-least-1-billion-create-7000-jobs-tax-reform-passes-200245187.html>
3. CNBC, "AT&T's \$1 billion gambit: Retraining nearly half its workforce for jobs of the future," March 13, 2018. Available at: <https://www.cnbc.com/2018/03/13/atts-1-billion-gambit-retraining-nearly-half-its-workforce.html>
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5. AT&T Inc., 2017 Fourth Quarter Earnings Call Transcript, available at: <https://seekingalpha.com/article/4141971-ts-t-ceo-randall-stephen-son-q4-2017-results-earnings-call-transcript?part=single>
6. AT&T Inc., Press Release, "AT&T Reports Fourth-Quarter and Full-Year Results," January 31, 2018. Available at: http://about.att.com/story/att_fourth_quarter_earnings_2017.html
7. AT&T is projected to spend \$13.4 billion on dividends and \$590 million on buybacks in 2018. Its net profit is projected to be \$18.7 billion.
8. See employee reviews for DirectSat -- <https://www.indeed.com/cmp/Directsat-USA/reviews> Mastec -- <https://www.indeed.com/cmp/Mastec-Network-Solutions/reviews> Goodman -- <https://www.indeed.com/cmp/Goodman-Networks/reviews>
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11. AT&T Corp., Fourth Quarter Earnings Call Transcript, January 31, 2018. Available at: <https://seekingalpha.com/article/4141971-ts-t-ceo-randall-stephen-son-q4-2017-results-earnings-call-transcript?part=single>
12. See, for example CNBC, "AT&T's \$1 billion gambit: Retraining nearly half its workforce for jobs of the future," March 13, 2018. Available at: <https://www.cnbc.com/2018/03/13/atts-1-billion-gambit-retraining-nearly-half-its-workforce.html>