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Service Workers: Human Resources or Labor Costs?

By BARBARA A. GUTEK

ABSTRACT: In this article, I describe the work performed by service providers, defined broadly, and the changes in this work engendered by an increasing reliance on encounters as a form of service delivery. This delivery mechanism facilitates the view of service providers as labor costs to be managed and reduced rather than human resources to be nurtured and developed. The provision of services by encounters may be a prelude both to the substitution of machine providers for humans and to large-scale unemployment.

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IT is conventional wisdom that the U.S. economy is a service economy and that the proportion of the workforce employed in the service sector, already over 70 percent of workers, is likely to increase. I have my doubts about the increase. I have recently developed a classification of service work that gets below the surface of the conventional wisdom, provides a fresh, more in-depth look at services, and makes me skeptical about any proposed expansion of service jobs.¹ The delivery of service is itself undergoing an important change that parallels the change from handmade to mass-produced manufactured goods and that will have the same broad ramifications for the work of service providers as mass production had for the work of producers of goods. At the heart of this change is a shift from reliance on service delivery, that is, interaction between a service provider and a customer, via relationships to delivery of more services via encounters.

DEFINITIONS: SERVICE RELATIONSHIPS AND SERVICE ENCOUNTERS

People who have a regular dentist, family physician, stockbroker, hairstylist, secretary, or housekeeper, for example, have relationships with their service providers. In a relationship, a customer interacts with the same provider every time the customer wishes a certain kind of ser-

vice. The customer and provider get to know each other, they expect and anticipate future interaction, and over time, they develop a history of shared interaction that they can draw on whenever they complete some transaction. Over time, relationships become more efficient and effective, especially where a customer and provider interact frequently as, for example, a secretary and manager do. The efficiency in well-developed relationships is one of their strengths as a service-delivery mechanism.

In contrast to relationships, a newer service-delivery mechanism, encounters, consists of a single episode between the customer and provider. Over time, the customer's successive contacts involve different providers, and each provider is expected to be functionally equivalent. Thus a customer should be able to complete a satisfactory service transaction with any of a number of interchangeable providers. Buying a hamburger at McDonald's is a classic encounter, but so is getting a driver's license, ordering airline tickets from an airline reservation center, going to the emergency room or some health maintenance organizations to receive medical care, or going to Supercuts for a haircut.

Encounters constitute a mass-production form for delivering goods and services, and as mass production systems eliminated many of the jobs of skilled craftspersons in manufacturing, so too the mass production of service is likely to eliminate many of the jobs of skilled service providers. Encounters will not be limited to buying a hamburger or obtaining a driver's license, I believe, but many

1. The change in service delivery from relationships to encounters is the topic of Barbara Gutek, *The Dynamics of Service: Reflections on the Changing Nature of Customer/Provider Interactions* (San Francisco, CA: Jossey-Bass, 1995).

services traditionally provided in relationships will steadily be organized so that they can be delivered instead in encounters. Finding a way to structure in an encounter format interactions typically provided in relationships is an innovation often considered newsworthy.

For example, a recent report titled "They Rub Customers the Right Way" described the introduction of encounter-style service provided by relationship-style providers, personal masseuses.² For \$7.95, customers have an 8.5-minute encounter wherein they receive a shoulder and back massage from the next available masseur or masseuse. The provider sticks to a routine, and customers are served on a first-come, first-served basis. A few customers reported having several back rubs in a day, an option made feasible by the small expenditure of time and money involved.

But why stop there? The mass-production delivery of services is starting to encroach on several professions, including medicine and psychotherapy. For example, the managed-care revolution in the United States is starting to document the changes in the quality of worklife for physicians, therapists, and other health care providers, as managers greatly increase the number of patients each primary-care provider is expected to handle and substitute lower-cost, less educated primary-care providers for more expensive and extensively educated ones. Examples of such substitutions include nurse practitioners and physician's assistants for medical doctors; Ph.D.

2. "They Rub Customers Just the Right Way," *Tucson Citizen*, 18 Nov. 1993.

psychologists for psychiatrists, and master's degree recipients for Ph.D. psychologists.³ For example, Kaiser-Permanente now requires its physicians to be responsible for over 2200 patients, whereas a typical patient load for a physician in private practice is typically 800 to 1200.⁴

SOME CONSEQUENCES OF THE EXPECTED GROWTH IN ENCOUNTERS

As the number and types of encounter systems grow, I can imagine several different scenarios, variations on the growth of the mass production of goods. Growth in encounter systems may come at the expense of relationships; that is, encounters may replace relationships so entirely that receiving medical care in relationships will one day be as archaic as having a personal tailor, a kind of relationship that has all but died out in the United States. Alternatively, growth in encounters may occur independent of the growth in relationships; that is, both may continue to grow, but at different rates, with encounters growing more rapidly. This

3. D. K. Clawson and M. Osterweis, eds., *The Roles of Physician Assistants and Nurse Practitioners in Primary Care* (Washington, DC: Association of Academic Health Centers, 1993). See also Melinda Henneberger, "Managed Care Changing the Practice of Psychotherapy," *New York Times*, 6 Oct. 1994.

4. See also J. Erikson, "Newborn Care: Dangers Seen in HMO Pressure for Short Hospital Stays," *Arizona Daily Star*, 19 Sept. 1994; Sherry Jacobson and Bill Deener, "Managed Care Changing Mental Health Treatment: Costs to Firms Are Limited, But So Are Patient Choices," *Dallas Morning News*, 7 Nov. 1994; and S. Woolhandler and D. U. Himmelstein, "Giant H.M.O. 'A' or Giant H.M.O. 'B'?" *Nation*, 10 Sept. 1994, pp. 265-68.

scenario is especially likely if encounters allow more customers to receive services that were formerly available, at a higher cost, via relationships.

Encounters have already made—and increasingly will make—available to a broad segment of the population services that were formerly available to only the elite. Just as standardization of production made more goods available to many more people than did relationship-style production (such as a tailor making a dress), standardization of service often makes services available to people who have not been able to afford them before. Fast-food restaurants, for example, have allowed more people to eat out, and firms such as H&R Block have allowed more people to obtain tax-preparation services. In this view, the growth of encounters will bring new customers to services that they never received before. In the near future, people going home from work may stop in for an 8-minute backrub before picking up their laundry and take-out food for the evening. A rapid expansion in encounter-delivered services could yield a two-tiered system wherein the more affluent receive services in relationships and the less affluent rely on encounters for their services.

While providing service through encounters changes the role of customer,⁵ it has more profound effects on the nature of the provider's job. The industrial revolution and the mass production of goods made obsolete many skilled trades, jobs that provided a decent livelihood and interesting, although often physically demanding, work. Will the mass pro-

duction of service make obsolete many skilled professional and service jobs that now provide a decent (or better) livelihood and interesting, though often mentally demanding, work?

THE JOB OF PROVIDER

I will now describe some of the features of the provider job, features that follow quite naturally from the organization of service delivery. The very nature of encounter systems facilitates the view of workers as labor costs to be cut or replaced by technology where feasible, whereas the very nature of relationships facilitates the view of providers as human resources who differ in talent and effort and whose career development is—or at least has been—closely tied to their reputation for service delivery to customers. I will start by describing the common characteristics of the job of relationship providers and then compare them with their replacement, encounter provider jobs.

Providers in relationships

The whole basis for providing in relationships is quite different from providing in encounters; one depends on some base of knowledge or proficiency while the other depends on the characteristics of the interaction. In relationships, knowledge is embedded in the individual provider; in encounters, it is embedded in organizational procedures and practices.

The role of expertise. Generally, some kind of substantive expertise is required to provide service in relationships. That is, the provider has

5. Gutek, *Dynamics of Service*, chap. 6.

some base of knowledge either lacking in the customer but which the customer needs or which the customer also has but for some reason cannot or does not want to provide to himself or herself. Examples of the former are most of the professions, such as law, medicine, and architecture; examples of the latter include babysitting, housework, and, for some, tax preparation.

The provider's knowledge may be abstract knowledge generally associated with the professions or concrete knowledge such as that required to manicure nails or maintain a yard. The substantive knowledge may require years of education or relatively little training, and experience is generally regarded as an asset, that is, a more experienced physician or manicurist is generally considered superior to someone with less experience. On the other hand, the knowledge base of the field often changes and expands so that any provider must continue his or her education to stay current. Professionals can also stay current by engaging in research or in the development of knowledge in their field. A license, certificate, or the passing of an examination, whether required or merely desirable, shows that the provider has attained the expertise required to provide a given service.

The fact that the expertise is widely recognized through the certification process also means that it is portable. This portability gives the provider options. Providers may opt for an independent practice or take a job in an organization needing their expertise. If the job is not satisfactory, the provider can use the same

expertise in another organization or take a block of customers and start an independent practice.

The expertise of the provider draws the customer to a provider in a relationship. In addition, this base of knowledge typically allows the providers a certain amount of flexibility in arranging one's work. Based on their own needs and preferences, providers can choose to meet customers early in the day or late and can order tasks according to their preferences, doing the less desirable chores early or late, bunched, or spread out among other more desirable activities. If providers want, they can also accommodate special needs or interests of customers in meeting early or late or on weekends. For high-status customers, they make special efforts at accommodation, especially if some of the fame or notoriety from the customers extends to the provider.

Becoming a relationship provider. Providers in relationships usually acquire relevant skills on their own, through an apprenticeship to an experienced provider, a formal education program, an internship, experience, and/or a process of certification or licensing. Often people go through more than one of these processes, or all of them, in order to begin their practice as providers.

At the end of the process of obtaining knowledge and demonstrating it, the provider is next expected to find customers on whom she can apply her craft. However, finding new customers may take a while and a provider can lose customers or be fired. The provider is only too aware of this reality and will generally work hard to keep customers satisfied.

Thus relationship providers tend to develop a customer orientation (perhaps without ever using that term!). Being able to attract and retain customers is a key part of becoming a relationship provider.

Career development and identification. Relationship providers tend to develop their careers within their substantive area of expertise, and their reputation is based on their expertise. Providers in relationships tend to identify with their area of expertise, and their loyalty is likely to be to their field or discipline even if they work in an organization. Comparatively few professors or physicians define themselves as employees of universities or health maintenance organizations. Relationship providers tend to be “cosmopolitans” rather than “locals,” terms used to distinguish between people who identify with a broad profession and people who identify with the organization in which they work. Some relationship providers are less cosmopolitan than others; a gardener, housekeeper, or nanny may identify with other gardeners, housekeepers, or nannies in only a small geographic area in comparison to the larger geographic area encompassed by professional groups like the American Bar Association or the American Medical Association.

Star providers. In relationships, not all providers are functionally equivalent. There are star providers and other providers. A star provider is defined as one who adds prestige to the organization for whom she works (if she works in an organization) rather than deriving prestige from the organization. Star providers gen-

erate more transactions than average or generate transactions based on their own name rather than their company name if they work for an organization. Star providers include Nobel Prize-winning professors, exceptionally prominent lawyers, exceptionally successful stockbrokers and mutual fund managers, well-known management consultants, in-demand speakers or consultants, famous architects, and the like. In most cases, while providers need to please customers, star providers can pick and choose among customers and no longer have to try to please the customer in order to maintain their business. Thus a star provider is in sufficient demand to tip the balance of power between provider and customer in favor of the provider.

Star providers are often suitably arrogant, and stories about them, whether true or not, often emphasize their large egos. The following story about Frank Lloyd Wright is typical. Wright completed a spectacular home late and over budget. Shortly after moving in, the owner, the president of a large corporation, invited a group of very influential guests to dinner. During dinner it started raining and the roof leaked so that water was dripping in on the owner's bald head. Furious, he demanded that someone contact Wright immediately. When he got Wright on the phone and told him that his lovely dinner with his influential guests was ruined by rain falling on his head, he asked Wright what he would do. Wright's response: Move your chair. Whether the story is true is less important than the message it conveys: Frank Lloyd Wright was a star provider who

could get away with behavior not tolerated in other architects.

Providers in encounters

The job, indeed the career, of an encounter provider is altogether different. While expertise is the core of the provider role in relationships, delivery process or style is the core of the provider role in encounters. The provider encounters customers, and how that encounter is managed is what is most salient about providing service in encounters. Because all providers are functionally equivalent, they are not differentiated on the basis of substantive expertise; no one person has (or should have) any more expertise than any other. Under these circumstances, other attributes surpass expertise as desired or required aspects of the job. Providers are judged on how well they deliver the service or goods the customer wants, and they are expected to act as if they have a relationship with the customer. Relationships are viewed as the model for encounter providers.

Encounter providers are functionally equivalent, so they are all equally expert—at least in principle—and they all provide the same service. Providing such uniform service necessarily takes some of the challenge and variety out of the job of provider. Thus, in general, relative to providers in relationships, providers in encounters have jobs that are less challenging, more monotonous, more stressful, less autonomous, require less skill, have lower wages, and tend not to provide workers with skills that allow them to advance in the organization. This applies even to

highly skilled professionals like the surgeons who work under the Shouldice hospital system, where only hernia operations are performed and they are performed only on patients who are otherwise healthy.⁶ Their work is considerably more routine than it is for most surgeons, and it is probably less interesting and challenging.

Providers in encounters are more likely to be nonexempt from various labor laws than providers in relationships, and they are probably more likely to be paid hourly or on a piece-rate basis. There may also be differences in fringe-benefit levels and opportunities within the organization, for example, access to tuition-reimbursement programs. Employers seeking encounter providers frequently look to teenagers rather than adults. The proportion of employed 16- and 17-year-olds who hold jobs as encounter providers has increased from 1940 to 1980 from a little over 10 percent to almost 60 percent. Food service work and store clerking—both encounter-provider jobs—have become the prototypical jobs for adolescents.⁷

Let's take a look at six aspects of the job of provider in encounters:

1. Some encounter providers serve simply as decoration.

6. James Heskett, "Shouldice Hospital Limited," in *The Service Management Course: Cases and Readings*, ed. W. E. Sasser, C.W.L. Hart, and J. L. Heskett (New York: Macmillan, 1991).

7. Ellen Greenberger and Laurence Steinberg, *When Teenagers Work* (New York: Basic Books, 1986), fig. 2.3. See also Juliet Schor, *The Overworked American* (New York: Basic Books, 1991), fig. 2.2.

2. Encounter providers have limited decision-making opportunities and autonomy, which creates stress.

3. Selection and training of providers focus on a customer orientation rather than the acquisition of expertise.

4. Job satisfaction and motivation are low among encounter providers.

5. Turnover is high among encounter providers.

6. Encounter providers have little opportunity for advancement.

Decorative work. In some jobs, being attractive is not merely an asset; for flight attendants, sales clerks in certain kinds of stores, some receptionists, and waitpersons, being attractive is a major part of the job. Being attractive always helps, no matter what the job: a variety of social-psychological studies and anecdotes attest to the fact that attractive, tall, and slim people tend to be evaluated favorably and do well relative to less attractive folks. But how is it that serving as decoration should be more common in encounters than in relationships?

Customers engage in relationships in part because of the unique characteristics of the providers. The expertise, care, and concern shown by the relationship provider, whether a stockbroker, nurse, or nanny, are assets found in a variety of people, attractive and not so attractive. In encounters, the contribution of any individual provider is psychologically minimized because every provider is functionally equivalent. If many people could do the provider job and customers might respond more favorably to attractive providers, why not make attractiveness either an ex-

PLICIT or implicit requirement of the job? The problem with decorative work is that customers and others often assume that it requires no other skills. "When only physically attractive people are found in a job, others will assume that (1) physical attractiveness is the most important prerequisite of the job and (2) the job does not require other skills or abilities."⁸

Decision making, autonomy, and stress. A second important way in which provider jobs differ is that in relationships, providers usually get to decide what to do and they also get to do it. In encounters, the decision making has been relinquished and the provider is left with the doing while someone else who never engages in the doing makes the decisions about providing. Thus encounters follow a tradition developed in "scientific management" of divorcing decision making from execution and creating a managerial class to make decisions.⁹

This leads to differences in workload variability. In relationships, providers have uneven and unpredictable workloads; busy periods and slack periods are common. To some extent, some busy periods may be predictable—for example, tax accountants know they will be very busy in March and the first two weeks of April. In any event, the provider is likely to decide herself how to deal with both unanticipated and anticipated time crunches, by, for example, referring some business to others, prioritizing

8. Barbara A. Gutek, *Sex and the Workplace* (San Francisco: Jossey-Bass, 1985), p. 165.

9. Frederick W. Taylor, *The Principles of Scientific Management* (New York: Harper, 1911).

customers, or clearing her calendar of other obligations and forgoing leisure for a while.

In contrast, the provider in encounters has much less control over time demands but typically experiences fewer peaks and valleys in customer demand. Encounter-style jobs are often designed to prevent either busy or slack periods; this is accomplished by, for example, varying the number of providers assigned according to customer demand. During rush periods, more workers are assigned to the provider role, or temporary workers may be hired to help meet the demand. During slack periods, some providers may be assigned to other jobs or laid off. In any case, the work demand is created not only by customer demand but also by management decisions.

Encounter workers rarely have any discretion over when they work or when they work on any particular task. Management and encounter-system designers such as industrial engineers in many cases specify the number of encounters a good provider should complete per hour, day, week, or month. The pace of work in encounters is likely to be especially demanding, creating stress for the provider. Hochschild, for example, discussed the effects of speed-ups mandated by airlines' management on flight attendants.¹⁰ In each of the speed-ups the airlines have experienced in the past 15 years or so since deregulation, fewer flight attendants have been expected to use fewer resources—for instance, no more free

10. Arlie R. Hochschild, *The Managed Heart: Commercialization of Human Feeling* (Berkeley: University of California Press, 1983).

drinks or playing cards—to service more customers with the same degree of service.

It is not only in workload and time demands that providers in encounters lack control; they tend to have little latitude in making any kind of decision because their work is often centrally planned, sometimes by a computer; their work is often monitored or their responses scripted.¹¹ By creating scripts for telephone order takers, encounter-system designers create ways for each provider to complete more orders over a shorter period of time. With each new mandate, workers experience the same kind of pressure that assembly-line workers experience when the line is speeded up. When they are unable to engage in physical slowdowns, providers in encounter-style interactions may engage in psychological slowdowns by failing to smile or engage in other pleasantries that are expected of them.¹²

Selecting and training the provider. Providers in encounters are less likely than relationship provid-

11. For example, in discussing the automation of social work, Barbara Garson contended, "The goal of welfare automation is to take every aspect of this overly complex judgement away from the welfare worker and have it made inside the machine—which is to say at a higher level. The aim is to restrict discretion and intervention [usually pro-client] by workers in the local offices." Barbara Garson, *The Electronic Sweatshop* (New York: Simon & Schuster, 1988), p. 102.

12. See, for example, *ibid.*; George Ritzer, *The McDonaldization of Society: An Investigation into the Changing Character of Contemporary Social Life* (Thousand Oaks, CA: Pine Forge Press, 1993); Robin Leidner, *Fast Food, Fast Talk: Service Work and the Routinization of Every Day Life* (Berkeley: University of California Press, 1993).

ers to learn their jobs on their own or depend almost exclusively on pre-acquired knowledge. Instead, they are likely to receive training that is concrete, not abstract, and that focuses on the details of their job. This training is done through formal programs in their organization by management and support personnel, part of the infrastructure of encounter systems. New recruits hired in cohorts receive their training together. New providers should receive enough training to call them the functional equivalent of a provider who has been doing the same job for years. Besides being told how to behave and what to say, they may also be told what to feel and given advice on creating the proper feeling.

For example, in studying the training program for Delta Airlines flight attendants, Hochschild noted that trainees were encouraged to act "as if the cabin is your home" and "as if this unruly passenger has a traumatic past."¹³ Both guidelines were designed to encourage the flight attendant to be pleasant and supportive even in the face of rude behavior from an irate passenger. The worker is thus restricted to implementing standard procedures.

Increasingly for many encounter-style jobs, employers are interested in hiring people who have a service orientation or customer orientation. As providing in encounters has become commonplace, there has been a proliferation of courses teaching providers how to manage their interaction with customers. Some companies specializing in psychological tests for selection have developed or

are developing tests to assess customer orientation or service orientation, and some companies are using these tests to help select or train new employees in their new provider roles. Other firms offer training courses to help employees develop a "proper customer orientation." One educational film company, Films for the Humanities and Sciences, lists in its 1994-95 business catalogue six different films on business telephone techniques. Where real expertise that takes years to acquire is required to complete a job, the employer usually cannot demand a customer orientation with the same regularity that employers are demanding it of providers in encounter-style jobs.

Once providers are on the job, they may be constantly reminded to have a customer orientation with posters and signs proclaiming, for example, "The customer is always right." L. L. Bean, Inc., the Maine outdoor clothing and equipment company, prominently displays in its offices a poster called "What Is a Customer?"¹⁴ It includes statements such as "A customer is the most important person ever in this office . . . in person or by mail" and "A customer is not dependent on us . . . we are dependent on him."

Because the encounter structure does not foster close links between customer and provider the way a relationship structure does, employers have opted for trying to select people who have a strong customer orientation and also to socialize employees to continually strive toward satisfy-

14. Philip Kotler, *Marketing Management*, 8th ed. (Englewood Cliffs, NJ: Prentice Hall, 1994), p. 22.

13. Hochschild, *Managed Heart*, p. 120.

ing the customer. Whereas the internal dynamics of relationships foster a customer orientation, managerial coaching and incentives foster a customer orientation in encounters.

Providers, productivity, and job satisfaction. An examination of the popular "job characteristics model" proposed in 1976 leads to an interesting conclusion: the job characteristics of providers who engage in encounters are a perfect prescription for low productivity and low job satisfaction.¹⁵ According to this model, lack of five "core job characteristics" leads to three "critical psychological states," which in turn affect personal and work outcomes.¹⁶ Providers who engage in encounters tend to have low levels of the five core job characteristics: skill variety, task identity, task significance, autonomy, and feedback. Low levels of these core job characteristics lead, in general, to an experienced meaninglessness of work, little responsibility for work outcomes, and little knowledge of the actual results of their work activities. These three "critical psychological states" lead in turn to a variety of negative outcomes: low work motivation, low-quality work performance, low job satisfaction, and high absenteeism and turnover.

A general lack of feedback from customers, low variety, low autonomy, and a narrow task that lacks significance and may be difficult to identify with characterize many jobs held by providers who engage in en-

counters. It is certainly conceivable that many encounter-style provider jobs lead to negative psychological states in workers and a variety of negative outcomes. If so, creating jobs that lack the core job characteristics is bad job design. Although encounter-system designers have developed jobs that have few intrinsically interesting or challenging features, this is typically not done intentionally. They do not design jobs; they design service delivery systems and the provider job is simply a by-product of the service delivery system. Nevertheless, the resulting job, like the typical assembly-line job, leaves a lot to be desired.

Given the general paucity of positive features of many encounter-style provider jobs, there is little reason for encounter providers to feel any loyalty to their company, and they have no real ties to customers. Why not feel apathetic? But in some cases, employers may be able to attract and hold employees by providing other benefits that are attractive to some workers. For example, airlines offered the opportunity to travel, and they successfully created a glamorous image around the job of flight attendant, an image that new flight attendant recruits and the general public still maintain to a certain extent. Companies may also offer the chance to identify with a well-known and successful organization, which may appeal to some employees. In other cases, it may be difficult to find any clear benefits to the job except that it is a job.

Turnover in encounter jobs. When a job is just a job, and a low-paying one at that, given other opportuni-

15. J. Richard Hackman and Greg R. Oldham, "Motivation through the Design of Work: Test of a Theory," *Organizational Behavior and Human Performance*, 16:250-79 (1976).

16. *Ibid.*, pp. 250-79.

ties, employees are likely to leave. Turnover among encounter service workers is very high in comparison to turnover in high-paying high-technology jobs. In the latter jobs, turnover due to employees' leaving to take a job in another company typically runs from about 0.5 to 20 percent per year.¹⁷ In the fast-food business, in contrast, Taco Bell claims to have the lowest rate of turnover among hourly workers, 150 percent; the turnover rate for managers is 20 percent.¹⁸ At McDonald's, overall turnover typically exceeds 100 percent; by some estimates, turnover exceeds 300 percent for counter workers.¹⁹ Turnover is high in other kinds of encounters, too. For example, in the cashier department of a large brokerage firm, turnover exceeded 100 percent.²⁰ The turnover rate for clerks at some mini-market stores regularly exceeds 140 percent a year. Encounter workers in the hospitality industry also exhibit high turnover.²¹

Scholars and practicing managers disagree on whether or not high turnover in encounter-style jobs is a problem. While some view it as problem-

atic, others regard high turnover as an unavoidable and even a necessary and desirable feature. Those who see it as a problem claim that high turnover affects the quality of products and services, creates significant replacement and recruitment costs, and therefore affects profitability. Those who are more sanguine about high turnover claim that it "ensures recruitment of new blood."²² One author viewed high turnover at McDonald's in a positive light, as a stepping-stone to a better job: "Because the chain [McDonald's] trains so many high school students for their first jobs, most of its workers quickly advance to higher paying jobs, which explains why McDonald's turnover rate at the store level has historically run better than 100% per year."²³

In addition, high turnover means that the company will not need a very large pension fund as few employees stay long enough to qualify for a pension. If the high-turnover employees are typically young, as they are in the fast-food industry, then they tend to be healthy and the organization has few health care costs. In general, the indirect labor costs are lower where turnover is high.

Advancement opportunities. The opportunity to advance is one kind of incentive an organization can offer, and it can serve as a mechanism for reducing turnover.²⁴ Since encounter-style jobs are by nature routine, if the employee becomes bored with the job,

22. *Ibid.*, p. 96.

23. Love, *McDonald's*, p. 5.

24. Rosabeth M. Kanter, *Men and Women of the Corporation* (New York: Basic Books, 1977).

17. Figures taken from a presentation by Richard Bowman, AT&T, 25 Mar. 1993; personal communication with Geza Bottlik, 1993.

18. M. Nalywayko, "The Link between Quality Operations and Quality Service" (Paper delivered at the conference "Activating Your Firm's Service Culture," First Interstate Center for Services Marketing, Arizona State University, Phoenix, AZ, 28-30 Oct. 1992).

19. John F. Love, *McDonald's: Behind the Arches* (New York: Bantam Books, 1986), p. 5; Ritzer, *McDonaldization of Society*.

20. James Heskett, *Managing in the Service Economy* (Cambridge, MA: Harvard Business School Press, 1986), p. 100.

21. Roy C. Wood, *Working in Hotels and Catering* (London: Routledge, 1992), pp. 95-96.

advancement is likely to be attractive. One problem, however, is that a good frontline provider delivering encounters does not have the chance to exhibit the qualities needed in a supervisor or manager. Following the rules and regulations to the letter and delivering the goods or service with a smile are not the prime qualities needed in professional, middle-management, or executive positions.²⁵ In order to demonstrate their ability, providers will probably have to quit their job and go elsewhere. Unfortunately, the longer a person has been working in encounter-style jobs, the more difficult it will be to convince any employer that she is capable of doing anything other than routine work.

One way to advance that is available to some encounter providers is to become an exception provider. An exception provider handles special problems, cases that require discretion beyond that given to the frontline provider. Garson noted that "at airline reservation offices special 'Flagship' or 'Gold Card' phone lines are manned by exception workers who deal with frequent flyers or travel agents. They're freer to deviate from the script."²⁶

SUMMARY AND CONCLUSION

Encounters occur in encounter systems. These systems are designed and managed to be efficient, that is, to provide service to the greatest number of customers for the least amount of time, provider time, or

money. In an encounter system, managers are always looking for ways to cut costs. In relationship-based service, providers are often the largest—and sometimes the only—cost. From the perspective of the relationship provider—the physician, professor, manicurist, gardener, or babysitter—that is as it should be. If a high proportion of the customer's dollar is not going directly to the service provider, the customer is not being well served.

These providers are accustomed to thinking that they embody the services customers are seeking, that they are the reason why customers are there. But such providers constitute labor costs in managed organizations, such as managed health care (for example, Kaiser Permanente), managed food delivery (for example, McDonald's), managed haircuts (for example, Supercuts), or managed back rubs. When physicians, nurses, and therapists are viewed as the labor costs of health care establishments, or hairstylists are viewed as the labor costs of a salon, or social workers are viewed as labor costs in an agency, replacing relationship-style service with less expensive encounter-style service—with its less expensive, more specialized workers—is one strategy for cutting costs.

Once jobs have been created so that in principle all providers are interchangeable and functionally equivalent, it makes sense to consider automating the provider job. That is, of course, already happening as automated messaging systems have replaced live operators, automatic teller machines (ATMs) are replacing bank tellers, and automated check-in services are starting to re-

25. Heskett, *Managing in the Service Economy*, p. 61.

26. Garson, *Electronic Sweatshop*, p. 105.

place hotel clerks.²⁷ Thus the replacement of relationship interactions with encounter interactions has direct implications for the quality of the working life, pay, and career opportunities of service providers, fewer of whom will have the luxury of a relationship provider career. In addition, the replacement of relationships with encounters has implications for the number of jobs available as machine providers replace human providers.

The standard comeback, and one that has served reasonably well in the past, is twofold: first, production could not expand rapidly enough with the existing workforce (thus, the often cited example that there are not enough people in the country to handle all the switchboards necessary to control communications in the United States today), and, second, new and often better jobs are created to replace those that have been deskilled or automated. The economy has managed just fine without blacksmiths, for example.

Commodities continue to be created, and some think that information, rather than being part of service, will emerge as the new commodity that will create jobs for workers whose jobs have been eliminated as agriculture, manufacturing, and now service are being produced less expensively. That may be the case, but I am not among those who are optimistic about the ability of information or any other new commodity—whatever it might be—to create

enough well-paying jobs to provide a reasonable standard of living for a rapidly expanding world population.²⁸

Marvin Harris expressed the point quite eloquently over a decade ago:

As productivity in manufacturing and mining rose, surplus labor was drawn off into the production of information and services. What next? With microchip computerization of information-and-service jobs the fastest growth industry in the United States, who can doubt that the same process is about to be repeated in the service-and-information fields? But with one difference: There is no conceivable realm of profitable employment whose expansion can make up for even modest productivity gains among the nation's sixty million service-and-information workers.²⁹

I have painted a picture of an inexorable transition in the delivery of services, but do we really need to accept, in some form, the scenario I have portrayed? I will be spending the next year at the Udall Center for Public Policy at the University of Arizona exploring this issue, but I am sure that public policy interventions can alter the scenario I have described.

First, we do not have to accept the profit motive that characterizes encounter systems as a substitute for an older ethic of caring, however imperfectly implemented in many relationship provider jobs today. But without some intervention, that is what we will have, and it will be hard to change once in place. As an academic, I am personally concerned about changes in higher education; I

27. Customers can check in and out of some Hyatt Hotels by using an ATM-like machine called the Touch and Go Instant Check-In. "Bypassing the Front Desk," *Business Week*, 3 Oct. 1994, special advertising sec.

28. Marvin Harris, *America Now: The Anthropology of a Changing Culture* (New York: Simon & Schuster, 1981).

29. *Ibid.*, p. 179.

am not ready to accept “managed” higher education.

Unfortunately, I do not now have any brilliant ideas to prevent the loss of relationship-style jobs or, for that matter, encounter-style jobs, but I would encourage a number of activities that might generate such ideas. Thus for a second suggestion, I would like to encourage both public awareness and public debate about the changes that are taking place. Are these changes what the public wants? In *The Wealth of Nations*, Adam Smith contended that it takes 18 easily trained and easily replaced people, each doing a very specialized repetitive task, to make a high-quality pin. But do we believe that 18 narrow-content specialists each teaching a single lecture can provide a better course than a single professor teaching the full semester? Or that a single skilled surgeon can be replaced by 18 different narrowly trained medical technicians?

Third, we need data from companies and agencies as well as more traditional academic research. Do services delivered in relationships have a higher quality than services

delivered in encounters? Further, we need to compare the cost of relationship-style service delivery with encounter-style service delivery. I believe that encounters are not necessarily a more cost-effective delivery system.³⁰ It would be a real shame if the substitute of encounters for relationships yielded merely fewer good jobs and more profit for owners but not more effective service.

Finally, we need to consider not only the quality of service but the quality of service jobs. What kind of jobs does the public want available, for now and for future generations? Parents encourage their children to go into the various professions because they often provide interesting, flexible, and remunerative work. The replacement of relationship-style professional jobs with encounter-style provider jobs will destroy these positive aspects of professional jobs. We need to find out if and under what circumstances the public is willing to expend more resources to provide relationship service jobs that they can recommend to their children.

30. Gutek, *Dynamics of Service*, chaps. 3 and 7.