Comparative Analysis On The Factors Affecting Employee Turnover Between Supervisors And Frontline Employees In The BPO Industry

Russell C. De Ocampo, Hector M. Aguiling

University of Santo Tomas,
The Graduate School, España Manila, Philippines
russell_deocampo@hotmail.com
hmaguiling@yahoo.com

Abstract: Employee turnover is one of the biggest challenges of the BPO industry in the Philippines. Though there have been lots of studies on turnover, few studies have examined turnover in the BPO sector. This study aims to compare the significant factors that affect the labor turnover in this industry between the frontline employees and supervisors. Survey questionnaires regarding the levels of influence and importance of 12 identified factors were distributed to a sample of 387 BPO employees in Quezon City – 275 frontline employees and 112 supervisors from February 1, 2018 to March 10, 2018. Results showed that the perceived levels of influence and importance for Career Development and Training were the highest, while lowest for Recruitment and Selection for both frontline employees and supervisors. Moreover, significant differences on the perceived level of influence of Career Development and Training, and perceived level of influence of Recruitment and Selection, Working Environment and Organizational Culture, and Communication were present between frontline employees and supervisors. In summary, frontline employees have a higher level of perceived influence and importance for the factors as compared with the supervisors.

Keywords: Business Process Outsourcing (BPO), Frontline, Supervisor, Employee Engagement, Employee Retention, Employee Perception, Human Resource Management, Intention to Leave, Labor Turnover

1. INTRODUCTION
The business process outsourcing industry (BPO) in the Philippines has grown significantly since it started in 1992. In 2010, the country became the BPO capital of the world and in 2016, it generated 1.2 million jobs with estimated revenue of $24 billion dollars. Year on year the trade has continuously grown and its revenue steadily increasing, but it’s not without challenges. Labor turnover is undoubtedly one of the biggest issues of the industry. The rate of labor turnover in the BPO is considerably high and it has proven to be one of the most costly and seemingly intractable human resource challenges confronting several BPO organizations.

Although there are significant number of studies on labor turnover and retention, there are few studies on labor turnover and retention in the BPO industry. Most especially the BPO industry in the Philippines. This study aims to assist the Philippine BPO industry gain a better understanding of employee turnover, more specifically, the sources what determines employee turnover, effects and strategies that can be implemented to minimize turnover. This will help the industry attain its vision of Philippines to become the number one outsourcing country for companies around the world. Sadly, Talons (2017) study shows that China has over taken the Philippines for the second spot with India as number one option as an outsourcing destination. This study will not only help organizations develop better retention programs, it will also provide BPO workers and potential employees assurance that enough work is being done to understand their needs. Understanding the needs of employees will provide them with confidence that a BPO job is not just a high-paying temporary job, but rather a long-term job. When this perception about the BPO job changes, employees will then to stay in the industry, which will eventually translate to employees’ development and growth of the business. A study by the Society for Human Resource Management shows that employers will need to spend the equivalent of six to nine months of an employee’s salary in order to find and train their replacement. Having a better understanding of turnover and employee retention will allow organizations, maximize its resources. This research examined the perceptions of employees as it relates to the level of influence and level of importance of identified determinants of labor turnover, particularly: a.) Compensation and Benefits, b.) Rewards and Recognition, c.) Recruitment and Selection, d.) Career Development and Training, e.) Performance Management and Evaluation, f.) Job Satisfaction, g.) Working Environment and Organizational Culture, h.) Job Design and Work Teams, i.) Management and Leadership Support, j.) Communication, k.) Employee Engagement, and l.) Psycho-social Factors.

2. THEORY AND HYPOTHESES

2.1 Demographic Factors Impacting Labor Turnover

Demographic factor variables that have been found to have constant relationship with retention and turnover intentions are age, gender, tenure, education, and income levels. These have influenced employee retention and turnover overtime. Several studies in which demographic factors have been employed to investigate job satisfaction and job attitudes have shown that they are strong predictors of turnover intentions (Furnham et al. 2009; Kavanaugh et al. 2006; Ng and Sorensen 2008; Schroder, 2008). For this study, the researchers sought to compare the levels of influence and importance of determinants of labor turnover between frontliners and supervisors. It is hypothesized as follows:

Hypothesis: There is no significant difference on the perceived levels of influence and importance of determinants of the respondents between the frontliners and supervisors.
2.2 | Determinants of Labor Turnover

2.2.1 | Compensation and Benefits
Organizations’ pay level is a potentially important direct influence on voluntary turnover. Employees are satisfied with existing pay system if they believe that rewards or incentives are paid based on fairness, seniority and performance evaluation of all employees (Wang, Weng, McElroy, Ashkanasy, & Lievens, 2014). According to Ng and Feldman (2014) companies in highly competitive local labor markets expected to pay highly competitive rates against their competitors in each of their job classification, either it is semi-skilled or unskilled position. Merit pay can play in attracting and minimizing employee turnover.

2.2.2 | Rewards and Recognition
A well-rewarded employee feels that he/she is being valued by the company that he/she is working for (Thomson, 2013). Chang (2014) noted that praise and recognition are the most efficient intrinsic reward that could enhance employee’s performance. Wynen and Beeck (2014), see intrinsic reward as a tool that motivates employees to perform as expected. Rewards have been categorized into two main categories mainly; tangible and intangible rewards. Tangible rewards include the base pay or fixed pay for the job performed which can be determined via a job evaluation or negotiated through collective bargaining. Employee benefits such as pensions, sick pay, and insurance cover form part of the tangible rewards to employees. Intangible rewards on the other hand, cannot be directly quantified since there is no direct financial benefit. These rewards include recognition, job autonomy, skill development and training opportunities, career development, quality of life and work life balance. (Torrington, Hall, & Taylor, 2013).

2.2.3 | Recruitment and Selection
A well-structured recruitment and selection process helps retain the employee in the industry and also lower the turnover rate. The recruiter gives an opportunity to the candidates to self-select the profession, in case the job is suitable or not for them to decide. A high volume of employees leaves or get fired by the organization due to different circumstances and reasons. Therefore, the recruiters must provide all the information regarding their work and should not give false hopes to the candidates nor let them built any wrong prospects by themselves (Khrishna, 2014). According to Smith (2013), the organization’s search for the pre-trained candidates and generally they hire the trainees who did their training with the same organization. It is a cost effective and time saving technique. Through this procedure, the HR department can retain the employee. To retain the employees, the recruiters have to make sure that they are using the right approach of recruitment required for the effective an operations of the businesses (Ekwoaba et al., 2015).

2.2.4 | Career Development and Training
Career development is where individual career plans encounter organizational realities (Penfold, 2016). It is a guarantee for an employee to be promoted. Employee’s commitment towards achievement of organizational goal will be developed by creating sense of ownership among the employee of the organization (Ertas, 2015). Ertas (2015) affirmed that career development programs of an organization helps an individual in the organization to see himself and develop career potential. It enables employees to cope up with rapidly changing technology and the organization gain competitive advantage through its trained or skilled employees. Frank (2013) on his research commented that the quality of employees and their development through training and education are major factors in determining organizations long term profitability. Regardless of their position and title, employees forced to leave their organization due to the absence of training (Sadra, 2013).

2.2.5 | Performance Management and Evaluation
Performance management is a process for helping both the employer and employee; it is a tool that influences almost every part of the employment relationship and can be a key in helping organization retain quality people. Staff will move on to new jobs for a variety of reasons including factors which are outside control such as location and family commitments. But the most common reasons are dissatisfaction with the current situation or a better opportunity where the employer has a lot of influence. An effective performance management system helps alleviate turnover concerns by focusing on five key principles: 1) ensuring that personnel understands what is expected of them; 2) meeting regularly to discuss how things are going and to trouble-shoot problems; 3) providing employees with opportunities to develop their knowledge and skills and to achieve personal and career aspirations; 4) evaluating employees’ performance; 5) rewarding employees for great performance.

2.2.6 | Job Satisfaction
Katsikea, Theodosiou, Morgan (2014) defined job satisfaction as depending on an evaluation of the employee. Job satisfaction can be divided in two types which are based on the level of employees’ feelings regarding their jobs. They are global job satisfaction and job facet satisfaction. Global job satisfaction is the overall evaluation on job satisfaction. It focuses on employees’ overall feelings about their jobs. On the other hand, job facet satisfaction focuses on feelings about specific job aspects, such as salary, supervisor support, and the quality of relationships with one’s co-workers (Kim, 2014).

2.2.7 | Working Environment and Organizational Culture
Irshad (2009), in his finding, stated that, the area of work environment found that it is key factor in employee retention. It is also found that employee leaves the job due to work environment and organizational justice (distributive justice and procedural justice). It also plays pivotal role in employee retention, it is revealed from study that, if organization want to retain their power employees, organization must follow fairness formula. In line with this, the overall working environment of the organization should be favorable to employees and the organization working environment which is not conducive to most of the employees it contributed to employee turnover (W. W. Guyo, R. Gakure, B. Mwangi, 2011).

2.2.8 | Job Design and Work Teams
Teamwork is described as a co-operative process that allows ordinary people to achieve extraordinary results (Scarnati, 2001). Utilizing a team approach can enlarge and enrich the
information, knowledge and power an individual possesses. Employees who work as a group are more dedicated to the group task and the organization. As such, in a research by Clark, (2001) personnel tend to remain in the organization because of the relationship established between and among members of the team (Chew, 2004).

2.2.9 | Management and Leadership Support
Gagnon and Michael (2004) described supervisor support as the degree to which an employee feels that they are supported by their supervisor. Further, Heery and Noon (2001) proposed that supervisor is a frontline manager who is responsible for the supervision of employees. Generally, when employees feel that the supervisors are good at discovering their value and give them respect, communicate and guidance, they take it as inner encourage, thus satisfied with the organization then likely to remain with it (Eisenberger et al., 2002).

2.2.10 | Communication
Walker (as cited by Kyndt, 2009) identified good communications as one of the factors that develop employee retention. Employee retention tools include Employee retention tools include communication, involvement of employees in decision making, allowing team members to share their knowledge with others, shorten feedback loop, balanced work and personal life, provide opportunities for growth and development, recognize and appreciate members’ hard work, define what is expected of team members. Factors affecting employee retention are reward and career programs, bonuses, gifts and good working environment.

2.2.11 | Employee Engagement
Research confirms that engagement lowers employees' intention to leave. The Corporate Leadership Council (2004) found that the most engaged employees are 87% less likely to leave their organization. Similarly, over half of disengaged employees would consider leaving their current job for another opportunity, while only 25% of highly engaged employees would consider leaving (Towers Perrin, 2003).

2.2.12 | Psycho-social Factors
The work-life balance is mainly considered to manage and stabilize the personal necessities such as family, hobbies, community work and other activities McCormic (2011). It can be also described as a point where some personnel are able to balance the time, emotion and performance stress related to work and personal responsibilities at the same time (Darcy & McCarthy, 2014). Generally, before starting any job the employee tries to find out whether the organization will offer them suitable work life balance (Philips & Edwards, 2013). Further, work stress and job commitment has a great impact on the employee’s work and it also contributes in their decision to leave an organization (McCormick, 2017). Having identified the determinants of labor turnover, the researchers seek to disapprove the following hypothesis:

Hypothesis: There is no significant relationship between the determinants of labor turnover

3. MATERIALS AND METHODS

3.1 | Sample
Using Slovin’s formula, the calculated sample size for the study was 387, with ±5% margin of error. The respondents were identified using simple random sampling from the population of BPO employees currently working at the time of the study in Quezon City based companies including Call Center Outsourcing, IT Services Outsourcing, Financial Services Outsourcing, Healthcare BPO Outsourcing, Data Entry Outsourcing, Knowledge Process Outsourcing (KPO), Engineering Services Outsourcing, and HR BPO. It consisted of 275 employees and 112 supervisors or team managers.

3.2 | Research Instrument
The research instrument used in the study was adopted from the employee retention questionnaire by Dr. Regina Dy (2014) with modifications of twelve factors instead of the original eight factors in the previous instrument. It consists of 4 items per factor or 84 items in total. The final survey questionnaire has undergone test of reliability using Cronbach’s alpha and has validated by five experts. It consists of demographic profile of the respondents including their educational attainment, age, position level, marital status, gender and tenure. This is then followed by a 4-point Likert Scale items (4 being the highest and 1 being the lowest) which gauge the perception of the respondents on the twelve identified factors. The survey questionnaires were administered to the 387 study subjects from February 1, 2018 to March 10, 2018.

3.3 | Statistical Analysis
All the data were encoded, processed, and analyzed using SPSS Version 20. The analyses, involving weighted mean, ANOVA, and t-test were made with the help of a statistician.

4. RESULTS AND DISCUSSION

4.1 | Socio-demographic Profile of the Respondents
Out of the 387 respondents, 71.1% (275) are in the frontline services, while the remaining 28.9% (112) are supervisors or team managers. In terms of their tenure in the company, majority of the frontline employees have been in the company for 1 year or less (58.5%), while most of the supervisors (26.8%) have been in the company for 2.1 to 3 years. Based on their gender, there are more male frontline employees (57.8%) than female frontline employees (42.2%), while for the supervisors, there are more female (47.3%) than male (42.7%). With regard to their age, a large number of frontline employees are 18 to 22 years old (42.2%), while majority of the supervisors (80.4%) are 23 to 34 years old. In terms of marital status, majority of the frontline employees are single (62.5%), while majority of the supervisors are married (77.7%). Lastly, based on their highest educational attainment, majority are college graduate for both frontline employees and supervisors (78.5% and 75.0%, respectively).
4.3 Perceived Levels of Importance of Factors
With regard to the perceived level of importance of factors, the results showed a similar pattern with the perceived level of influence. It revealed that all of the factors are highly important to the frontline employees. Likewise, for supervisors all of the factors are highly important, except for the Recruitment and Selection (M=3.14, SD=0.67), which was perceived as moderately important. Further, Career Development and Training has the highest level of importance for both frontline employees (M=3.63, SD=0.48) and supervisors (M=3.65, SD=0.43), while Recruitment and Selection has the lowest level of influence for both (M=3.34, SD=0.52 for frontline employees, and M=3.14, SD=0.67 for supervisors).

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<tr>
<th>Factors</th>
<th>Frontline Employees</th>
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<td>M</td>
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<td>Compensation and Benefits</td>
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<td>Rewards and Recognition</td>
<td>3.43</td>
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<td>Recruitment and Selection</td>
<td>3.34</td>
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<tr>
<td>Career Development and Training</td>
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<td>0.48</td>
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<td>Performance Management and Evaluation</td>
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<td>Job Satisfaction</td>
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<td>Management and Leadership Support</td>
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Verbal Interpretation: “4 - High (3.25 - 4.00)”, “3 - Moderate (2.50 - 3.24)”, “2 - Low (1.75 - 2.49)”, “1 - Not at All (1.00 - 1.74)”

4.4 Independent Samples t-test

4.4.1 Level of Influence
An independent samples t-test was conducted to test if there is a statistically significant difference on the perceived level of influence of the factors between frontline employees and supervisors. Among the 12 factors, the results showed that there is a significantly higher perceived level of influence of Career Development and Training in frontline employees (M=3.27, SD=0.54) than in supervisors (M=3.09, SD=0.68).
TABLE 4: Results of t-test and Descriptive Statistics for Perceived Level of Influence by Position Level

| Factor                        | Position Level | Perceived Level of Influence by Position Level | Values | 95% CI for Mean Difference | t, df=38 | P>|0.05 |
|-------------------------------|----------------|-----------------------------------------------|--------|-----------------------------|---------|-------|
| Career Development and Training | M, SD          | M, SD                                         |        |                             |         |       |
| Frontline Employees, n=275    | 3.2, 0.54      | 3.0, 0.6                                      | 0.06, 0.31 | 2.81*                       |         |       |
| Supervisors, n=112            | 3.0, 0.6       | 9, 8                                          |        |                             |         |       |

4.4.2 LEVEL OF IMPORTANCE
An independent samples t-test was also conducted to test if there is a statistically significant difference on the perceived level of importance of the factors between frontline employees and supervisors. The results revealed that among the 12 factors, the perceived levels of importance for Recruitment and Selection, Working Environment and Organizational Culture, and Communication are significantly higher in frontline employees than in supervisors.

TABLE 5: Results of t-test and Descriptive Statistics for Perceived Level of Importance by Position Level

| Factors                        | Position Level | Perceived Level of Importance by Position Level | Values | 95% CI for Mean Difference | t, df=38 | P>|0.05 |
|-------------------------------|----------------|-----------------------------------------------|--------|-----------------------------|---------|-------|
| Recruitment and Selection     | M, SD          | M, SD                                         |        |                             |         |       |
| Frontline Employees, n=275    | 3.34, 0.5      | 3.1, 0.6                                      | 0.07, 0.32 | 3.10*                       |         |       |
| Supervisors, n=112            | 3.1, 0.6       | 4, 0.6                                        |        |                             |         |       |
| Working Environment and       | M, SD          | M, SD                                         |        |                             |         |       |
| Organization Culture          | 3.53, 0.5      | 3.3, 0.6                                      | 0.02, 0.27 | 2.22*                       |         |       |
| Frontline Employees, n=275    | 3.53, 0.5      | 3.3, 0.6                                      | 0.02, 0.27 | 2.22*                       |         |       |
| Supervisors, n=112            | 3.3, 0.6       | 9, 0.6                                        |        |                             |         |       |
| Communication                 | M, SD          | M, SD                                         |        |                             |         |       |
| Frontline Employees, n=275    | 3.54, 0.5      | 3.4, 0.6                                      | 0.00, 0.25 | 1.97*                       |         |       |
| Supervisors, n=112            | 3.4, 0.6       | 2, 0.6                                        |        |                             |         |       |

5. CONCLUSION
Results of the study revealed that the employees perceived Career Development and Training as the factor with the highest level of influence and importance in their retention for both frontline employees and supervisors or team managers. Career progression is very important for employees, regardless of their position level, to stay motivated and continuously be part of an organization. For employees to have a good career path, an employee development program should be in place. Not have a clear promotional tract becomes a signal for employees that the company is not willing to invest to better their lives. Employers cannot guarantee job security, but they can help improve employee skills that are needed to remain productive in the world market (Sinha & Sinha, 2012). Further, studies have shown that employees who have grown with their company because of company support through training and other programs tend to be more committed and loyal to the organization. On the other hand, career plateau signals lack of personal growth which leads to employee’s intention to leave (Ongori and Agola, 2009). Another study by Yamamoto reveals that employees who are in career plateau have higher intention to leave because if the reduced possible opportunities for promotion (Kwenin, 2013). On the other hand, the perceived level of influence and importance of Recruitment and Selection was perceived by both groups as lowest among other factors. This may imply that the strategies and practices of the HR in terms hiring procedures are not that highly influential as to the retention of the incumbent employees. Moreover, the results of the significant testing revealed that in terms of level of influence of the factors, Career Development and Training are perceived differently by frontline employees and supervisors. It can be observed that the perceived level of influence of this factor for frontline employees is significantly higher than supervisors’. Meanwhile, in terms of level of importance, the frontline employees perceived Recruitment and Selection, Working Environment and Organizational Culture, and Communication significantly higher than supervisors. In summary, frontline employees have a higher level of perceived influence and importance for the factors as compared with the supervisors.

References


Author Profile

Author 1 is a Human Resource practitioner and has handled different facets of HR for more than a decade. He is a part-time Professor of Human Resource Management at St. Scholastica’s College, Philippines. He has a degree in Bachelor of Science in Nursing and holds a Masters of Business Administration from San Beda University, Manila Philippines. His research interests are on employee engagement, international human resource management, leadership, occupational well-being, working environment and organizational culture. He is also a candidate for a degree in Doctor of Philosophy in Human Resource Management from the University of Santo Tomas, Philippines.