Employee Turnover in Call Centers: Reduceable or Way of Life

By

Gretchen A. Hernández-Cestero
Graduate Program
MBA in Industrial Management
Inter American University of Puerto Rico
Metropolitan Campus

Abstract

All organizations face the issue of rotation within their workforce, be it for voluntary or involuntary reasons. Employee turnover is often associated with negative countereffects and operational burdens for organizations, because of associated costs and processes employed to mediate or resolve the gaps that it can cause. In our current economy, job structures have continued to transform and what was once seen as a “traditional career track” is not necessarily the same. Because of this, work places such as call centers have slowly come to make up an important percentage of the job market, and they typically have high turnover rates. The issue is, should this be accepted as the norm or should strategies be continuously developed in an effort to retain employees?

Call centers are vital for the customer service experience, in many instances they serve as the first line of contact. Without question, there is a direct monetary cost related to call center turnover, as it costs money to find, hire, and train new employees. However, there are also implications like customer satisfaction, which may dwindle as callers would have to deal with representatives who are new and would not necessarily know how to better handle their

inquiries. This study is aimed to examine what are the best available options for managing the turnover rate for customer service call center, in a company within the health insurance industry.

Literature Review

Dating back several decades, researchers such as Richard Mowday (1984), have stated that they tend to view employee turnover as a costly and disruptive problem, which often have serious implications for an organization's overall effectiveness. There are two types in which employee turnover can be classified: voluntary and involuntary. A voluntary turnover occurs when an employee willingly leaves the organization, whilst involuntary is when the employer terminates the employment contract for whatever reason deemed necessary. It is important to distinguish between these two because the causes, consequences, and control of these turnover decisions differ (Shaw, 1998). According to Mowday (1984), most research efforts and managerial approaches have focused exclusively on why employees voluntarily leave. Majorly, as stated by Holtom, Mitchell, Lee, & Eberly (2008), it is because "the topic of voluntary turnover is a vital bridge between macro strategies and micro behavior in organizations. It is one variable that conceptually connects the experiences of individuals in organizations to critical measures of success for those organizations" (p. 232). "The Bureau of Labor Statistics reports that the national annual voluntary quit rate in the United States typically approaches 25%", according to Allen, Bryant, & Vardaman (2010; p. 48).

In many ways, turnover can bring dysfunction to the organization by interrupting organizational processes and placing undue responsibilities on remaining members. Output levels, quality, consistency and customer service are affected, leading to a loss in productivity (Park, et al., 1994). Tracking turnover should be an essential key performance indicator for most businesses. However, measuring the costs associated with employees leaving may not be such an easy task and, from a financial perspective, turnover costs are important but often not plainly stated for managers. As stated by Holtom, et al. (2008), “there are no profit and loss statements that specifically capture the cost of voluntary turnover. Instead, the costs are buried in line items like recruitment, selection, temporary staffing and training. Or worse still, the real but unmeasured costs from losses of customer service continuity or critical implicit knowledge are never calculated (p. 236).”

According to Allen, et al. (2010), many managers hold misconceptions about turnover because there are few resources that effectively bridge scholarly evidence concerning employee retention and practitioner employee retention efforts. Managers are led to believe that turnover is generally bad and “that most employees quit their jobs because of pay, that job dissatisfaction is the primary reason people leave, that there is little managers can do to affect individual turnover decisions, or that generic best practices are the best way to manage retention.” These misconceptions lead managers to enact ineffective strategies, that are both not cost-effective and probably fail to reduce turnover. Allen, et al. (2010) summarize in their research five common misconceptions regarding employee turnover, and try to replace them with evidence-based retention management information: “1) All turnover is the same, and it is all bad; 2) People quit because of pay; 3) People quit because they are dissatisfied with their jobs; 4) There is little managers can do to directly influence turnover decisions; 5) A simple on-size-fits-all retention strategy is most effective (p.49).”

In his work, Mowday (1984), mentions that it is important to keep in mind that there are also often a number of positive outcomes that are associates with employee turnover. He states examples such as when organizations are experiencing a shift in strategic orientation, often times they can find themselves overstaffed and may see voluntary turnover as positive because it would help in avoiding disruptive layoffs or terminations. Another problem he mentions is that by assuming it only brings negative consequences is that it “narrows focus about proper managerial responses (p. 366).” Mowday (1984), states that even when turnover can be reduced, “organizations may lack the resources necessary or may find that the costs of increasing retention exceed likely benefits to result.” Relating to the five common misconceptions mentioned by Allen, et al. (2010), managers often assume that the fast-track option would be increase in pay or any other financial incentive. So much so that Peterson and Luthans (2006) share in their work that “research examining the use of incentives to enhance outcomes at a business-unit level is lacking, even though this level of analysis is crucial to an organization’s competitive advantage through outcomes such as profitability, customer service, and employee retention (p.156).”

Mowday (1984), mentions that high turnover rates in some organizations may therefore be a fact of life. Nonetheless, even those with a high rate must accomplish their goals effectively and efficiently to remain competitive within their industry. According to a research brief prepared by Bozionelos (2008), many scholars believe that the structure of the economy and nature of competition have fundamentally changed since the 1980’s. These economic changes have generated new types of jobs, such as those that are performed by customer service representatives in call centers. According to estimates he mentions, these types of jobs could account for up to 5% of total employment. Bozionelos refers to a study made by Philip Moss of the University of Massachusetts at Lowell, Harold Salzman of the Urban Institute, and Chris Tilly of the University of Massachusetts at Lowell titled “Under Construction: The Continuing Evolution of Job Structures in Call Centers” (2008). An extensive case study assessment of call centers in the U.S. financial and retail industries over a seven-year period, and call center turnover rates were generally high, as Bozionelos mentions. However, findings suggested that much of that turnover was associated with new employees who quickly realized that the nature of the work was not suited for them. One of the alternatives that Moss and his colleagues (2008) found that resulted beneficial for these work places was to expand career horizons for employees by offering opportunities across functional areas within the organizations. This would able employees to be promoted to other opportunities, which would bring formal recognition and employees better responded to.

However, it is still a fact that high turnover rates remained, which is why we return to Mowday's research (1984), where he suggests various strategies to be considered for these high rates: 1) buffering; 2) smoothing and leveling; 3) anticipation and prediction. According to the author, each of these would produce an output that could result beneficial for adapting to these types of rates. Buffering strategies refer to in terms of increasing resources available to performs tasks, such as hiring excess employees. Smoothing and leveling strategies have the purpose to reduce or minimize uncertainty, like for example creating part-time labor pools. Strategies to improve prediction and anticipation would help organizations to plan for turnover and take steps to minimize major problems that may be caused, as an example the author mentions developing employee skills inventory. Although these strategies could help to adapt, their potential effectiveness may largely depend on the specific type of negative consequences that are associated with turnover in the organization (Mowday, 1984).

Effectively Managing Turnover

After recollecting data from the several articles mentioned in the above section, and study by O'Connel et al. (2007), there are some strategies that are recommended for managing employee turnover rates:

- Creating a strong company culture – Organizational culture sets the tone for how employees communicate within the organization. This can help attract the right candidates that would be aligned with company goals, and hopefully remain within the job.
- Hiring the right talent – With a well-established company culture, it becomes easier to define the ideal employee profile. Said profile should be considered when interviewing potential candidates, and selecting those that better align with the organizational competencies.
- Correct training methods – Training methods used should have a wide range, as proper training can help reduce turnover because staff feel better prepared to handle daily situations with customers.
- Compensation – Pay is a recurrent topic when referring to employee retention. Compensation should be aligned with job responsibilities and market trends.
- Performance management – Employees should meet periodically with the immediate supervisor and be able to discuss the progress made toward achieving personal objectives.

Recommendations

Even though the company has taken several steps toward managing the issue, I believe there is still opportunity for improvement. Within the measures already put in place, they have recently revised the compensation (base salary) for the call center positions, in an effort to make the role more attractive and retain staff. They have also implemented an annual employee engagement survey, that is taken by all employees, which allows the company to receive direct feedback on a variety of topics that could concern or affect the level of employee engagement.

There is a performance management system that is in place, and it requires every supervisor to discuss performance with their team.

However, one of the recurring items that has come up within the engagement survey is that employees do not necessarily perceive a significant or direct relationship between their performance and their compensation. I would recommend designing and implementing a rewards and recognition program. Creating a compensation program that rewards top employees would be an excellent way to drive up performance. Performance-related pay is positively associated with job satisfaction and organizational commitment, O'Connel, et al. (2007) and Palmer, et al. (1973). Setting clear possible career paths could also help in managing the issue. These opportunities should be communicated on a continuous basis, as it could motivate employees to reach the next level, be it in salary or in responsibilities. Coming from the customer service department provides with a wide range of knowledge of the company's products and services, so the learning curve if transferred to other areas would be significantly reduced. The performance management system already in place could easily support this initiative. Having a goal of growth can give staff a long-term goal to remain in the company.

Conclusion

Call centers are a challenging department to work within, but they certainly provide you with an excellent customer service basis and knowledge of what is happening day-to-day with the company. Our job market continues changing and evolving, and what would have typically worked before may not be now attractive to the current job seekers. It is important to provide tools and incentives that empower and engage employees to bring out the best in them. This could help improve retention, but ultimately also have a positive impact on customer satisfaction and the organization's bottom line.

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