

TURNOVER AND VOICE IN PHILIPPINE CALL CENTERS

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INTRODUCTION

In a study aimed at generating baseline data about workers in the Philippine call center and business process outsourcing (BPO) industry, particularly, their employment terms and conditions and attitudes to trade unions as well as the context and possibilities of trade union organizing in that industry, Sale and Bool (2005) noted that labor standards on hours of work were generally being met. But night work during the prohibited interval for women employees, who constituted the majority in the survey, remained widespread. While the workers were young, night shifts adversely affected the health of a substantial number of them. 3 out of 4 workers in the sample encountered moderate to heavy work pressure, and 1 out of 2 was neither happy nor unhappy at the workplace. Majority of the respondents were in customer service. A big majority received ₱15,000 or less by way of average monthly take home pay. Majority had general knowledge about trade unions, despite their young age and notwithstanding that almost all were nonmembers. Nearly 2 out of 3 workers considered salary/wage negotiation as the most important role of trade unions. 51% were interested to join an affordable, principled and efficient workplace union. They concluded that it is possible to organize workplace trade unions in the call center and BPO industry. Organizing efforts should be industry-based rather than firm-based, due to the attrition rate and the prevalence of definite or fixed-period employment.

In a later study, Bool (2007) explored the potential of unionism in the Philippine call center industry by looking at call center employees' predisposition to unionization taking into consideration their working conditions and socio-demographic factors. Employing probability proportional to size (PPS) sampling technique, the size of the sample was established using the Sloven formula at $\pm 10\%$ margin of error and 95% confidence interval or one hundred (100) respondents from randomly chosen Metro Manila call centers – Sykes Asia, Inc., Convergys Corporation and eTelecare International. Data were gathered through self-administration of survey questionnaire that captured respondents' socio-demographic characteristics and conditions of employment. The data were analyzed using statistical tools on descriptive and causal (logistic regression) research. The study disclosed that the predisposition to join a union is a function of the following factors or independent variables: (1) average monthly income, (2) function or purpose of communication at work, (3) availability of company rules and regulations, (4) age and (5) knowledge about trade union. Based on the study, call center employees are predisposed to join a trade union if (1) they have lower monthly income, (2) the purpose of their communication mechanism at work is to merely inform, (3) availability of company rules and regulations is lesser, (4) they are younger and (5) they have greater knowledge about trade union.

In the present study, the authors take a closer look at the model for employee voluntary turnover developed by James March and Herbert Simon (1958) and cited by Kochan (1980). Based on the model, turnover is affected by two factors, that is, ease of leaving and desirability of leaving a firm. Ease of leaving a firm is primarily determined by alternative employment opportunities outside the firm. This means that the more attractive the labor market outside the firm, the higher the probability of leaving. The desire to leave is a function of dissatisfaction at the current job, that is the higher the dissatisfaction level, the greater the probability of leaving. However, if there is opportunity to voice out employee dissatisfaction that would lead to changes

in work conditions, employees might choose the “voice” rather than the “exit” option. Building on information generated from their previous studies and using new data on turnover rates from the call centers mentioned above, the authors try to determine and explain the relationship, if any, between turnover and voice. Do turnover rates reflect the demand for voice? If so, what voice mechanisms need to be put in place? Are there existing voice mechanisms? These are some questions that the present study hopes to address.

BACKGROUND

The Philippine call center and BPO industry is a major source of employment in the country and one of the largest sources of revenues with over US\$ 1 billion generated in 2005.¹ But it has been recently reported that turnover rate in Philippine call centers reached 60 to 80 percent according to the Call Center Association of the Philippines (CCAP), seemingly the highest worldwide.²

Also, it has been reported that in call centers and BPOs employers communicated with staff chiefly via team meetings, e-mail, bulletin board, intranet, and internal paper mail or different combinations thereof (Table 1).³ Only about 3% made mention of general assembly as a form of communication. Agenda of daily team meetings typically included coaching or training of team members on performance standards and updates about quota targets.⁴ Moreover, employer communication with staff was primarily designed to inform, not to consult (Table 2), hard copies of rules and regulations affecting work conditions were given or printed off for staff use (Table 3), and changes in such work rules and regulations were made available in the same manner (Table 4).⁵ These are the voice mechanisms extant in call centers and BPOs.

Such forms and purposes of communication at work have been referred to by some as “pseudo-participation.”⁶ The mere giving of information, which is initiated and managed from top down,⁷ typifies participation that is low on empowerment and narrow in scope.⁸

Table 1

EMPLOYER'S COMMUNICATION MECHANISM WITH STAFF	TOTAL	%
Bulletin board	4	4%
Bulletin board, email, intranet, team meetings	6	6%
Bulletin board, email, team meetings	5	5%

¹ Philippine IT Offshore Network. <http://www.piton-global.com/>. April 23, 2009.

² Pena A. (2008). RP call centers reel from world's highest turnover. GMA News TV/Davao Today, March 20, 2008.

³ Sale, J. and Bool, L. (2005, June 29-30). Context and Possibilities of Trade Union Organizing in the Philippine Call Center and Business Process Outsourcing Industry: A Survey Report. Paper prepared for the Union Network International (UNI) – Philippine Liaison Committee (PLC) for the UNI-APRO Forum on Outsourcing/Offshoring, Taipei (paper was presented by Umali, J.). [The paper was also presented at the International Labor Office (ILO) – Employers Confederation of the Philippines (ECOP) Call Center Consultation Workshop, RCBC Plaza, Makati held on June 16, 2005.]

⁴ Ibid.

⁵ Ibid.

⁶ Bool, A. (2007). Future of Unionism in the Philippine Call Center Industry. Masteral Thesis, De La Salle University, Manila, Philippines.

⁷ Grindle, Merilee S. (2002). Good Enough Governance: Poverty Reduction and Reform in Developing Countries: Poverty Reduction Group. World Bank, p. 44.

⁸ Cohen, John M. and Uphoff, Norman T. (1980). Participation's Place in Rural Development: Seeking Clarity through Specificity in World Development, 8:3 (213-235), pp. 224-225. See also Sale, Jonathan P. (2006, 2007). Philpost Privatization: Impact on Workers from a Socio-Legal Perspective. Paper prepared for the Union Network International (UNI). (Unpublished)

Bulletin board, Internal paper mail, email, intranet	1	1%
Bulletin board, internal paper mail, email, intranet, team meetings	7	7%
Bulletin board, internal paper mail, intranet	2	2%
Bulletin board, internal paper mail, intranet, team meetings	1	1%
Bulletin board, internal paper mail, team meetings	6	6%
Bulletin board, intranet, team meetings	1	1%
Bulletin board, intranet, team meetings, general assembly	1	1%
Bulletin board, team meetings	11	11%
Bulleting board, intranet, team meetings	1	1%
Email	4	4%
Email, intranet, team meetings	9	9%
Email, team meetings	13	13%
Email, team meetings, general assembly	1	1%
Internal paper mail	1	1%
Internal paper mail, email, intranet, team meetings, general assembly	1	1%
Internal paper mail, intranet, team meetings	1	1%
Internal paper mail, team meetings	1	1%
Intranet	7	7%
No answer	2	2%
Team meetings	15	15%
GRAND TOTAL	101	100%

Table 2

PURPOSE OF COMMUNICATION	TOTAL	%
Consult	40	40%
Inform	55	54%
No answer	6	6%
GRAND TOTAL	101	100%

Table 3

AVAILABILITY OF COMPANY WORK RULES	TOTAL	%
No	15	15%
No answer	2	2%
Yes	84	83%
GRAND TOTAL	101	100%

Table 4

AVAILABILITY OF CHANGES IN COMPANY WORK RULES	TOTAL	%
Not applicable	1	1%
No	27	27%
Yes	73	72%
GRAND TOTAL	101	100%

Turnover and voice are social phenomena that have been studied previously.⁹ As already noted, the employee voluntary turnover model had been earlier introduced by March and Simon. Hirschman (1970) also wrote about exit, voice and loyalty. As applied to employment relations, he noted that two possible responses to a decline in the quality thereof are exit, where the employee leaves the firm, and voice, where the employee stays to articulate and push for work improvement. The latter response may be influenced by loyalty to the organization, according to Hirschman. Simon (1947, 1997) provided the significant insight that turnover is costly, too, because of organizational memory loss, sometimes referred to as training cost. But the call center and BPO industry in the Philippines is relatively young, having commenced only about ten years ago. Given the data and significance attributed to the country's call centers and BPOs, as discussed above, there is a need to study the relationship, if any, between turnover and voice in the industry.

METHODS

In this study, the correlation¹⁰ between turnover and voice in Philippine call centers, if any, is determined and explained by building on information generated from previous studies and using new data on turnover rates. Descriptive¹¹ research is used to determine and explain whether turnover rates reflect the demand for voice and what voice mechanisms need to be put in place. An indicator of voluntary turnover is the rate of separation, particularly, that which is employee-initiated, which is distinct from the rate of accession (hiring). Voice is indicated by trade union density and CBA coverage.

RESULTS AND DISCUSSION

Based on the 2008 labor turnover survey of the Bureau of Labor and Employment Statistics (BLES), the construction industry had the highest separation rate (19.40%), followed by hotel and restaurants (18.15%), wholesale and retail trade (11.91%), mining and quarrying (11.48%), and real estate, renting and business services (9.30%).¹² With the exception of mining and quarrying, these industries also had relatively low rates of unionized workers and CBA coverage (below 12.5%), as of June 2006 (Table 5):¹³

Table 5

	Unionized Workers in	CBA Coverage in
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⁹ See for example Kochan, T. A. (1980). *Collective Bargaining and Industrial Relations from Theory to Policy and Practice*. New York: Richard D. Irwin, Inc., pp. 370-373. See also Ohiorhenuan, John F.E. (1999). *Exit, Voice and Loyalty in Development Cooperation*. *Cooperation South*, Number 2, pp. 10-19, citing Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*, Cambridge, Mass.: Harvard University Press, 1970.

¹⁰ A correlational relationship means that two things or variables perform in a synchronized manner. For example, when inflation is high, unemployment also tends to be high and when inflation is low, unemployment also tends to be low. The two variables are correlated; but that does not mean that one causes the other. In a positive relationship, high values on one variable are associated with high values on the other and low values on one are associated with low values on the other. A negative or inverse relationship implies that high values on one variable are associated with low values on the other. (Trochim, William. *The Research Methods Knowledge Base 2e*. <http://www.atomicpublishing.com>.) See also Sale, Jonathan P. (2008). *Labor Market Institutions and Political Development in the Philippines: Trends, Patterns and Directions*. TUCP Professorial Chair Lecture. July 2008. UP SOLAIR Auditorium.

¹¹ Descriptive studies are designed to describe what is going on or what exists. (Trochim, William. *The Research Methods Knowledge Base 2e*. <http://www.atomicpublishing.com>.)

¹² Bureau of Labor and Employment Statistics. (April 2009). *Labstat Updates*. 2008 Labor Turnover Statistics. Vol. 13 No.4, p. 3.

¹³ Current Labor Statistics. (April 2009 Issue). www.bles.dole.gov.ph accessed April 27, 2009.

Major Industry	Establishments employing 20 or more workers (%)	Establishments employing 20 or more workers (%)
Construction	5.7	12.4
Hotels and Restaurants	7.3	7.5
Wholesale and Retail Trade	9.4	9.6
Mining and Quarrying	39.0	39.3
Real Estate, Renting and Business Services	0.7	1.2

According to BLES, separation rate is computed by dividing the number of separations by employment and multiplying that quotient by 100.¹⁴ The quits, layoffs and other separation rates are computed similarly, dividing the number by employment and multiplying by 100.¹⁵ The relationship among these indicators is shown in the following figure.

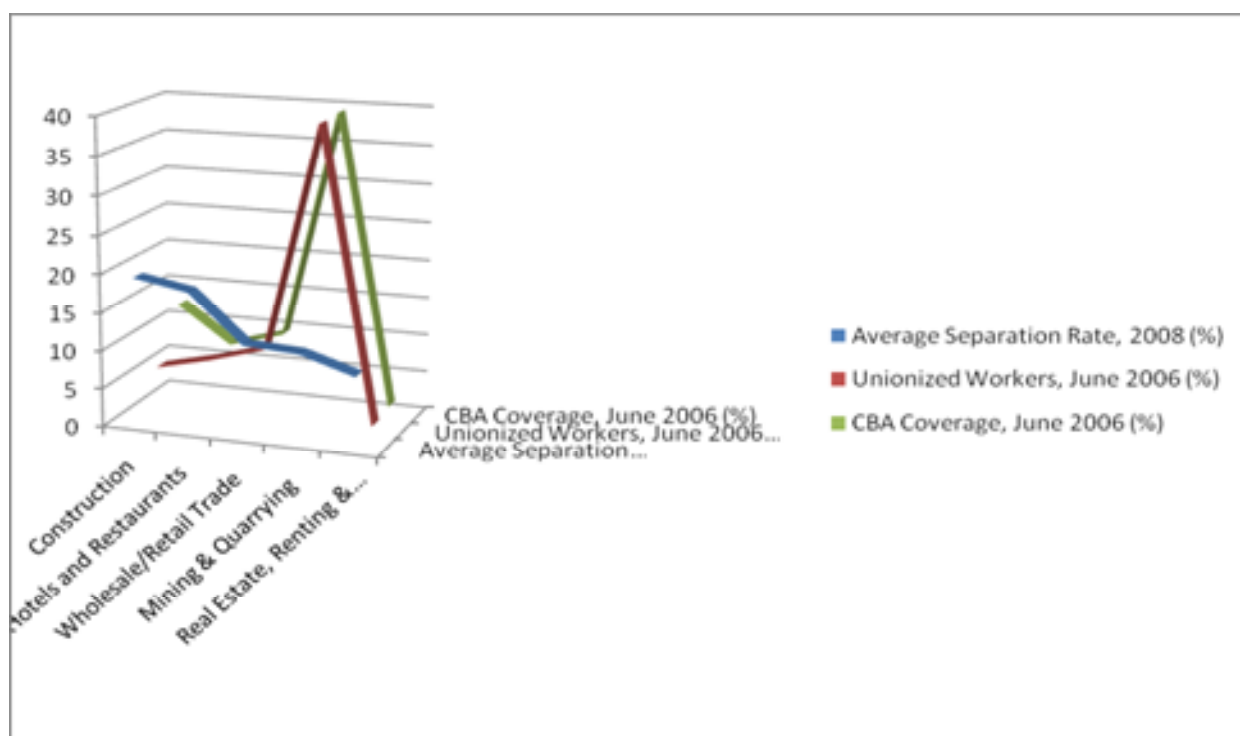


Figure 1 – Separation rate, Unionized Workers, CBA Coverage in certain industries

The data for real estate, renting and business services are particularly interesting as said industry includes business process outsourcing (BPO) activities in the country.¹⁶ While real estate, renting and business services had the second-highest accession (hiring) rate¹⁷ in 2008, it also had the fifth-highest separation rate for that period (among 14 major industries) and the lowest percentages of unionized workers and CBA coverage as of June 2006.

¹⁴ Bureau of Labor and Employment Statistics, op. cit. supra, note 12.

¹⁵ Ibid.

¹⁶ Id., at 2.

¹⁷ Id., at 3. Accession or hiring rate is computed by dividing the number of new hires by employment and multiplying that quotient by 100. Expansion and replacement rates are computed similarly, dividing the number by employment and multiplying by 100.

Generally, labor turnover rates in top enterprises in Metro Manila show that employee-initiated separation is increasing while trade union density and CBA coverage are falling, as may be gleaned from the following table (Table 6):

Table 6

Year	Separation Rate (employee-initiated) (%)	Membership of newly registered Unions	Workers covered by new CBAs
2008	4.16	22,248	55,290
2007	3.42	24,079	44,375
2006	3.20	31,777	60,790
2005	3.26	45,032	82,925
2004	2.49	53,857	63,529

These data indicate the correlation between turnover and voice. A negative or inverse relationship exists, that is, the higher the separation rate (employee-initiated) or voluntary turnover, the lower the trade union density and CBA coverage. (Figures 2 and 3)

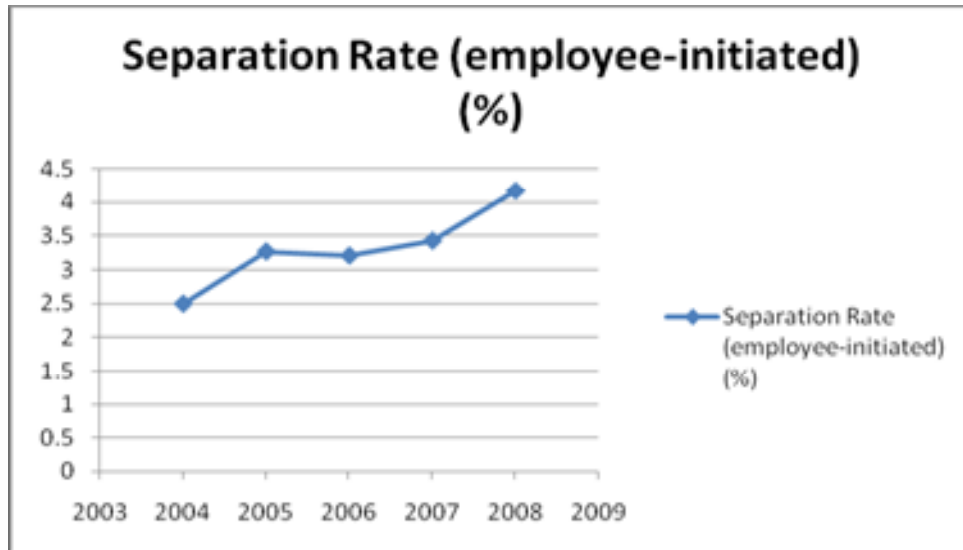


Figure 2 – Separation Rate (employee-initiated)

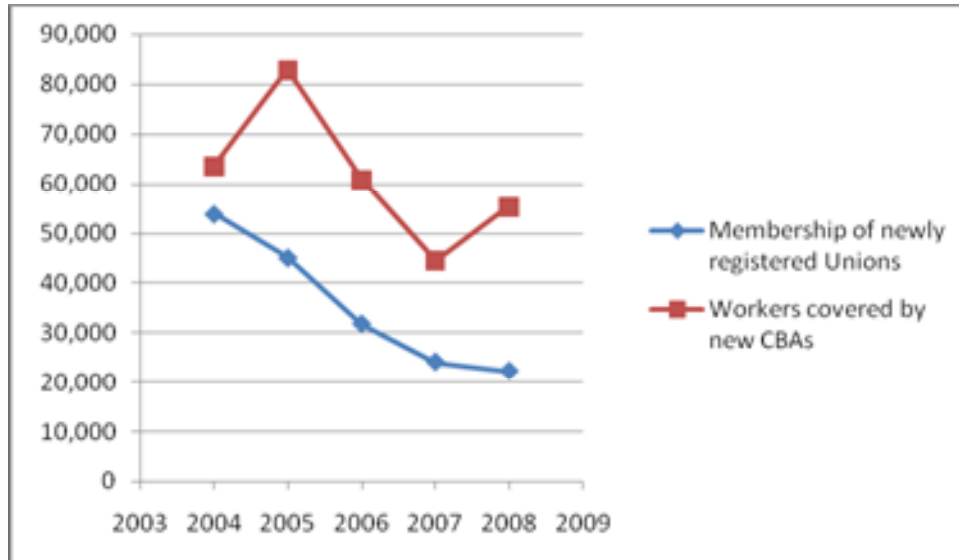


Figure 3 – Union Membership and CBA Coverage

That high voluntary turnover is a correlate of low trade union density and CBA coverage or voice is buttressed by the study of Bool (2007) who found that –

- Call center employees are predisposed to join a trade union if the communication mechanisms' purpose at work is merely to inform. In the study of Sale, et al. (2005), it was determined that for majority of respondents who wanted to join a union, employer communication with staff was primarily designed to inform, not to consult. The researches of Olson (n.d.), Rose (2004), Levine (1995), Cacdac (2004), Bitonio (1999) and Cruz (2005) also reinforce Bool's finding that for 58% of respondents the communication mechanisms' purpose at work is to inform, not to consult. The change in *a priori* sign can be recognized as a negative orientation – that is, the lesser that the communication mechanisms' purpose at work is to consult, the higher the predisposition of call center employees to join trade union.
- Call center employees are predisposed to join a trade union if the extent of availability of company rules and regulations (CRR) is lower. The outcome coincides with the findings of Fossum (2000) and Foss, et al. (n.d.). The change in *a priori* sign is connected to the descriptive result that for majority of respondents CRR are available (86%) and changes to CRR are likewise available (77%). As employees become aware and knowledgeable about CRR affecting their employment, they become predisposed to join a trade union because of the belief that unions can improve work conditions which include CRR.

Trevor, Gerhart and Boudreau (1997) noted that high salary growth tends to predict low turnover while low salary growth is predictive of high turnover. This affirms Hirschman's seminal work on exit, voice and loyalty. Staying with a firm and articulating needed improvements in work conditions (voice instead of exit) could arrest firm decline. Bool's 2007 study ostensibly supports this as well, to wit –

- Call center employees are predisposed to join a trade union if they have lower monthly incomes. This is consonant with the study of Sale, et al. (2005) in which majority of respondents who wanted to join an affordable, principled and efficient

workplace union received a monthly take home pay of P15,000 or less. The outcome is also supported by the studies of Ebbinghaus (2004), Hammer, et al. (2005), Kochan (1980) and Cruz (2005). 53% of respondents had an average monthly income of more than P15,000 while 47% had P15,000 or below. The income data reflected a mode of P15,000 and a mean of P18,365. It would seem that even if call centers offered high salaries (relative to other industries), agents still found their salaries wanting in relation to job scope.

CONCLUSIONS

It was Simon (1951) who opined that a worker enters into an employment contract with the employer when the former agrees to accept the authority of the latter and the latter agrees to pay the former a stated wage, assuming that the latter's authority is within the zone or area of acceptance of the former. That is, the employer exercises authority over the worker if the worker permits the employer to select the set of tasks to be performed by the worker at a certain rate and level of accuracy, among other factors. Dissatisfaction at the current job fosters the desire to leave, as posited by March and Simon (1958). But the desire to leave may be modified by existing forms of voice that give the worker enough space to speak up and remedy the situation, according to Hirschman.

Voluntary turnover (or employee-initiated separation) rates reflect the demand for voice. The former are correlated to the latter. The relationship is negative or inverse, that is, high values on one (turnover) are associated with low values on the other (voice). Data suggest that in Philippine call centers and BPOs exit is chosen over voice. While voice mechanisms do exist, e.g., team meetings, e-mail, bulletin board, intranet, and internal paper mail or different combinations thereof, some consider these as forms of "pseudo-participation" – low on empowerment and narrow in scope. Thus, more meaningful forms of voice are appropriate to address the high voluntary turnover rates being experienced by call centers and BPOs. After all, employee voluntary turnover is costly due to loss of organizational memory. At least two studies (Sale and Bool 2005, Bool 2007) confirmed that such voice mechanisms could partake of the nature of trade unions. Through trade unions, participation is higher on empowerment and broader in scope. Albeit, it has been suggested that organizing efforts should be industry-based rather than firm-based.

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