

Turnover and Voice in Philippine Call Centers*

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Abstract:

In this study on Philippine call centers and business process outsourcing (BPO) firms, the authors take a closer look at the model for employee voluntary turnover developed by March and 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. Thus, Hirschman's (1970) exit, voice and loyalty model, Rusbult, et al.'s (1982)

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contribution thereto and Hyman's thoughts on unions are also explored, together with recent legislation on the right to unionize. Building on information generated from their previous studies and using new data on turnover rates, the authors try to determine and explain the relationship, if any, between turnover and voice in call centers and BPOs. 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 study hopes to address.

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. Three out of four workers in the sample encountered moderate to heavy work pressure, and one out of two was neither happy nor unhappy at the workplace. Majority of the respondents were in customer service. A big majority received P15,000 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 two out of three workers considered salary/wage negotiation as the most important role of trade unions. About 51 per cent were interested to join an affordable, principled and efficient workplace union. Sale and Bool 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 in call centers and BPOs, 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

Table 1. Employer's Communication Mechanisms

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%
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%
Bulletin 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%
Total	101	100%

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 per cent 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.

Table 2. Communication Purpose

Purpose of Communication	Total	%
Consult	40	40%
Inform	55	54%
No answer	6	6%
Total	101	100%

Table 3. Availability of Work Rules

Copies of Company Work Rules	Total	%
No	15	15%
No answer	2	2%
Yes	84	83%
Total	101	100%

Table 4. Changes in Company Rules

Availability of Changes in Company Work Rules	Total	%
Not applicable	1	1%
No	27	27%
Yes	73	72%
Total	101	100%

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

Hyman discusses the matter in the context of flexibility, democracy and the new managerialism –

Yet flexibility can have alternative meanings. The 1970s objective of ‘humanisation of work’ was in essence a claim for flexibility in the interest of workers through the human-centred application of technologies, the adaptation of task cycles and work speeds to fit workers’ own rhythms, the introduction of new types of individual and collective autonomy in the control of the labor process. This agenda has in large measure been hi-jacked as part of the new managerialism of the 1980s and 1990s (with its mendacious rhetoric of ‘empowerment’ and ‘human resource development’).

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Changes in the organisation of production and the employment relationship (such as team-working, quality circles, performance-related pay, personalised contracts) are often accompanied by a managerial propaganda offensive in which ‘empowerment’ is a central rhetorical device. Such mendacious discourse typically provides a ‘democratic’ gloss to employer efforts to intensify production pressures, cut staffing numbers and undermine traditional forms of collective regulation.

The ‘new workplace’ is one in which employees often have increased responsibilities but with reduced power and resources. As labor costs are reduced through the imposition of ‘lean’ organisation, employees are simultaneously pressed to take increasing concern for ‘quality’ and ‘customer care’. The effects may be profoundly alienating; yet the ideological argument that more stressful work is more worthy and that intensified external pressure means greater autonomy has proved strangely effective. The big lie seems to work: as Dejours (1998) insists, evil is rendered banal and the intolerable becomes tolerated. The paradoxical consequence, suggests Coutrot (1988), is a form of ‘forced cooperation’ whereby employees embrace their newly (re)defined roles for want of any visible alternative. Yet this acceptance is only partial: for example the annual British Social Attitudes surveys reveal a large and increasing proportion of workers (approaching two-thirds) believing that management ‘try to get the better of employees’ and that ‘big business benefits owners at the expense of workers’. The detailed case studies undertaken by Scott (1994) reveal a similar picture.

In its most recent report on world labor, the ILO (1997, p. 27) referred to the 'democratic function' performed by trade unions. This can be understood in a double sense: by virtue of their capacity for collective representation, unions can give employees a 'voice' within the workplace and limit unilateral and arbitrary management action; but in addition, unions can challenge the authoritarian and hierarchical structures of contemporary employing organisations and can press for an extension of citizenship rights to employment. In many of the developed economies, such demands gathered pace in the era of stability and growth; in a period of stagnation and recession the emphasis has been on more immediate material issues. In developing economies with a substantial labor surplus, questions of industrial democracy have more often than not been regarded as a diversionary luxury (Ramaswamy, 1988, p. 239).

Nevertheless, trade unions' democratic function could speak to real grievances and concerns in a way which strengthens unions legitimacy and appeal. Unquestionably there is considerable scope to exercise this function by challenging the widespread current abuse of concepts of democracy at work and exposing the anti-democratic character of much that passes for 'human resource management'. By focussing their own demands and activities on the contradiction between management rhetoric and everyday reality in the workplace, trade unions have the potential to address current worker discontents in ways which generalise fragmented experiences and permit new forms of solidarity in the pursuit of genuine empowerment."⁹

Turnover and voice are social phenomena that have been studied previously.¹⁰ As already noted, the employee voluntary turnover model had been introduced by March and Simon. Hirschman (1970) also wrote about exit, voice and loyalty (EVL). 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. Rusbult, et al. (1982) added another element to the EVL model – neglect (N) – where conditions are allowed to deteriorate through diminished interest or effort.¹¹ Under the EVLN model, while loyalty could encourage one to stay and expect future recovery, neglect could influence one to remain and accept that recovery will not happen.¹² Simon (1947, 1997) provided the significant insight that turnover is costly too, because of organizational memory loss, sometimes referred to as training cost. Albeit 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 correlation¹³ 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. Descriptive¹⁴ 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 (terminations of employment or quits), particularly, that which is employee-initiated, which is distinct from the rate of accession (additions to employment).¹⁵ 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%).¹⁶ With the exception of mining and quarrying, these industries also had relatively low rates of unionized workers and CBA coverage (all below 12.5%), as of June 2006 (Table 5)¹⁷

Table 5. Unionization and CBA Coverage in Select Industries

Major Industry	Unionized Workers in Establishments employing 20 or more workers (%)	CBA Coverage in 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

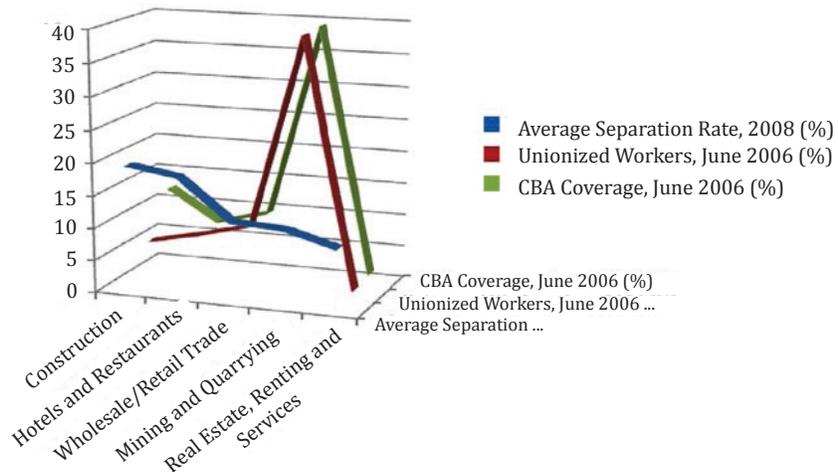
According to BLES, separation rate is computed by dividing the number of separations by employment and multiplying that quotient by 100.¹⁸ The quits, layoffs and other separation rates are computed similarly, dividing the number by employment and multiplying by 100.¹⁹ The relationship among these indicators is shown in Figure 1.

The data for real estate, renting and business services are particularly interesting as said industry includes business process outsourcing (BPO) activities in the country.²⁰ While real estate, renting and business services had the second-highest accession rate²¹ 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.

In particular, the separation rate among 48 call centers (including medical transcription) reached 6.31 per cent as of fourth quarter 2009.²²

Generally, labor turnover rates in top enterprises in Metro Manila show that employee-initiated separation is increasing. On the other hand, trade union density and CBA coverage are declining, save for year 2009.

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



These may be gleaned from the following table (Table 6):

Table 6. Separation Rate and Union Density

Year	Separation Rate (employee-initiated) (%)	Membership of newly registered Unions	Workers covered by new CBAs
2009	4.08	34,283 ²³	74,924 ²⁴
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

The data indicate the correlation between turnover and voice. A negative or inverse relationship seemingly 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) (%)

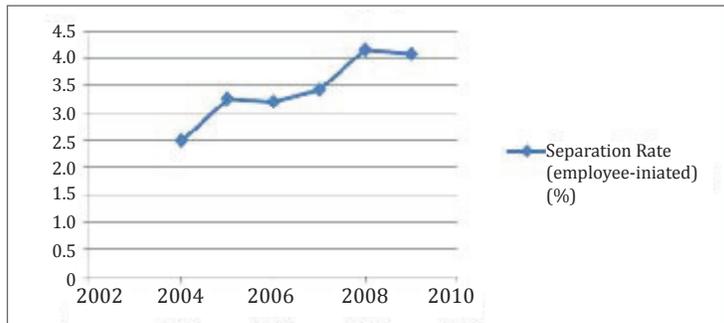
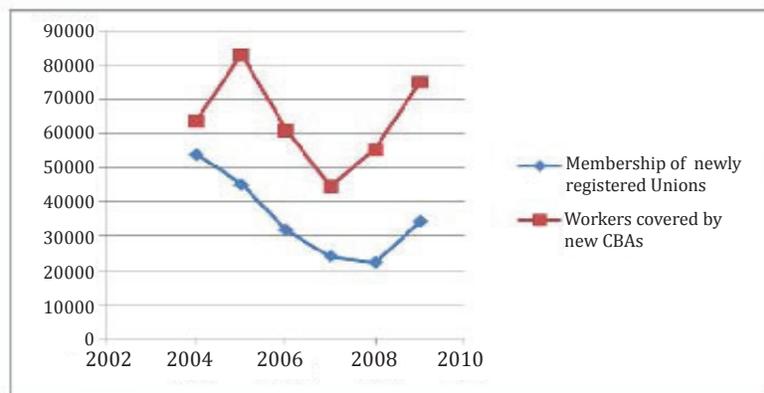


Figure 3. Union Membership and CBA Coverage



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 per cent of respondents the communication mechanisms' purpose at work is to inform, not to consult. The change in a *priori* sign from

positive to negative can be recognized as a negative orientation – that is, the lesser the communication mechanisms' purpose at work 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 from negative to positive 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). Fifty-three per cent (53%) of respondents had an average monthly income of more than P15,000 while 47 per cent 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.

As already noted, turnover rate is high in call centers and BPOs and there is as yet no documented case of a unionized establishment in the industry. But the predisposition to join a union due to working conditions and socio-demographic factors evidently subsists. The turnover rate indicates the demand for voice.

Is the legal framework conducive to such type of “voice” in call centers and BPOs?

In 2007, a new law on labor relations came into effect in the Philippines – Republic Act 9481 – to strengthen the right to self-organization. Among the major features of the law is the relaxation of requirements on charter registration (by national unions or labor federations) of union locals or chapters. To date, however, the Department of Labor and Employment (DOLE), the administrative body tasked to implement the law, has not yet promulgated the necessary implementing rules and regulations therefor.

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, and loyalty, according to Hirschman. A worker might opt to stay and accept that recovery will not happen out of neglect, according to Rusbult, et al.

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