

ENHANCING EMPLOYEE SATISFACTION IN OUTSOURCING FIRMS: AN EMERGENT CASE SCENARIO OF FUTURE EXPECTATIONS

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ABSTRACT

Indian BPOs have been in news for certain contradictory issues. While this industry is able to create more employment on the other hand is facing the problem of attrition. Although these issues have been addressed from different perspective, more and more researches are required to understand the employment trends and employee expectation and satisfaction, may be in the local level. An online survey was conducted at Mumbai to address compensation issue in different BPOs. 106 respondents selected on the basis of snowball sampling fully completed the survey. With the help of descriptive statistics and correlation tests findings were generated. Overall it was found out that BPOs are no more considered as stepping stones to other jobs rather are thought of as long term career prospects. And the compensation satisfaction was highly correlated to job satisfaction among the respondents. The research is highly significant in determining the future path for the outsourcing firms for maintaining a harmonious between the expectation and satisfaction balance amongst its employees.

Key Words: Compensation, Job satisfaction, BPOs, Mumbai, India

1.0 INTRODUCTION

The level of compensation is one of the more important job attributes to individuals (Jurgensen, 1978). Not surprisingly, salary or wages as measures of pay level consistently have been shown to predict pay satisfaction among a number of different occupational groups (Berger & Schwab, 1980; Dreher, 1980; Dreher et al., 1988; Futrell, 1978; Hemmasi, Graf, & Lust, 1992; Lawler, 1971; Motowidlo, 1982; Ronan & Qrgant, 1973; Schwab & Wallace, 1974). Moreover, for almost all motivational theorists salary or compensation is a strong motivator. For example, as per Herzberg's (1968) two factor theory, salary is a hygiene factor as well as motivator.

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Studies suggest that individuals who historically have received higher raises in the past should be more satisfied with their raises (Dyer & Theriault, 1976). And people report more satisfaction to pay raises when it is related to performance (Folger & Konovsky 1989) and that to follows fair criteria (Dyer & Theriault 1976). Similarly, previous research has identified several demographic factors that influence employees' satisfaction with compensation such as age (Dreher, Ash & Bretz, 1988), educational level (Klein & Maher, 1966), gender (Nash & Carroll 1975) & tenure (Dreher 1981). However, recent findings on salary and job satisfaction do not come to a clear conclusion. Although it is not denied that it has multiple correlates (Hemmasi, Graf & Lust 1992), some studies find no relationship between compensation and job satisfaction (Igalens & Roussel 2000).

II.0 OVERVIEW OF BPO INDUSTRY

Business Process Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry. A major success of the BPOs can be attributed to its ability to attract the youth of India. The changing lifestyles, demand for luxury and emergence of high-income spending groups coupled with a thoroughly cosmopolitan outlook of life are the factors along with the glamour attached with the BPO jobs generated passion in Indian youth for BPO jobs (Purwar, 2010).

India has become the leading destination for such companies with 46 percent of the global business-process-off shoring (BPO) market (Kaka, Kekre & Sarangan, 2006) and will probably remain so for sometime as it is predicted from its growth. The driving forces that account for this growth of BPO in India are emphasis on quality service, skilled sets and workers, cost effectiveness, English speaking manpower, enabling business policy and regulatory environment, rapid growth in key business infrastructure etc. (NASSCOM-McKinsey, 2002).

In present scenario, the Indian BPO employees represent a new middle class—with its employment base in the increasingly globalized private sector. The new middle class identifies with an image of a professional that the BPO work provides them (Sandhu, 2006). In terms of the moral fiber of BPO employees, this particular group, above all, exemplifies an interesting and important part of the so-called knowledge workforce holding a significant

covert influence through their proximity to and involvement with electronic means of production and accumulation (Batstone, Boraston, & Frenkel, 1978).

BPOs have been found to be creating highest number of employment in India. According to the sixth quarterly survey by the Ministry of Labour and Employment the IT/BPO sector has shown the highest increase at 6.9 lakh during 2009-10. Also, the wages for the IT/BPO sector showed the maximum growth of 9.3 percent during the last quarter (Siliconindia 2010). With all these achievements and characteristics BPOs could draw the attention of researchers and media equally.

While there was publicity regarding its popularity among the Indian middleclass job seekers, on the other hand lots of reporting were there regarding its attrition problems and job induced stress with its consequences. While unraveling the causes of attrition, HayGroup in its 2008 "BPO Sector Special Survey," came to the following findings. a) the salary structure is not competitive in BPO firms as compared to the rest of the Indian market; b) the short-term variable component was just 4% last year while the rest of India's workers enjoyed 10%. Such a low figure does not give any scope in creating incentive programs to encourage employees to work harder or stay at the organization; c) the attrition rate at BPOs last year was 23.5% compared to 15% in the general market; d) the benefits package mainly focused on retirement benefits, which clearly does not mean much of an incentive for a 20 year old. The employee gets the money at age 60. So retirement benefits like PF do not encourage employees to stay at one company (BPOWATCH, 2010).

In the same line the present study tries to find out the satisfaction level of BPO employees related to their compensation package and other benefits. It tries to answer the basic questions like –a)what is the satisfaction level of employees of the different components of compensation; b) Do people differ in perception of compensation satisfaction with regards to their demography?; c) what is their job satisfaction level with respect to different employee benefit schemes?

III.0 METHODOLOGY

III.1 SAMPLE

A snowball sampling method was adopted to select the respondents. On the basis of personal contacts some respondents were identified. Then they were requested to pass on the URL of

the online questionnaire to their acquaintances working in BPO sector. However, the study was limited to the BPO companies situated in city of Mumbai, India. In total 145 persons had responded to the questionnaire from which 106 respondents had completed the questionnaire fully.

Table 1. Sample Profile

Variables	Frequency	Percentage
Age		
=< 20 years	0	0
21-25 years	38	35.8
26-30 years	42	39.6
31-40 years	20	18.9
>= 41 years	6	5.7
Sex		
Male	32	69.8
Female	74	30.2
Qualification		
Under Graduate	9	8.5
University Degree	39	36.8
Masters Degree	51	48.1
Ph. D.	3	2.8
Other	4	3.8
Experience in current company		
=< 6 months	0	0
7-12 months	39	36.8
1-2 years	32	30.2
2-5 years	18	17.0
>=5 years	17	16.0
Total work experience		
=< 6 months	0	0
7-12 months	18	17.0

1-2 years	10	9.4
2-5 years	28	26.4
5-10 years	29	27.4
>=10 years	21	19.8
Current cost to the company		
<= 2 Lacs	0	0
2-4 Lacs	41	38.7
4-6 Lacs	29	27.4
>= 6 Lacs	36	34.0

Out of them 69.8 % were male and 30.2 % were female and the majority is within 20 to 30 age- group. From the above table it could be also noticed that the majority of the people are master's degree (PG Level) holders (48.1%). Most of the respondents (36.8%) had 7-12 months experience in the present company however it was also found out that maximum people (27.4%) had 5-10 years experience in the BPO industry. None of the respondents were getting salary less than 2 Lacs per annum and maximum people (38.7%) had the salary 2-4 Lacs followed by 34.0% of respondents having more than 6 Lacs per annum.

III.2 INSTRUMENT & DATA COLLECTION

A survey instrument was prepared that contained demographic information along with questions measuring the level of satisfaction from different components, and satisfaction on different employee benefit schemes. The items contained the different financial benefits provided in different organizations. Four experts having more than ten years experience in corporate were consulted while preparing the questionnaire. The satisfaction from salary components and satisfaction from employee benefit scheme scales were in five point Likert type of scale.

For data collection, the survey instrument was made online and the link was distributed to contact persons with a request to forward it to their known persons working in BPOs. The responses were directly stored in the main computer of one of the investigators. The stored

data then was imported to SPSS for further analysis. The responses which were complete in all respects were retained and others were rejected.

IV.0 RESULTS

The data were analyzed with the help of SPSS. Along with the descriptive statistics, correlation tests were used to generate the findings.

Table 2. Satisfaction derived from different components of compensation (in percentage)

Salary components	Delighted	Satisfied	Neutral	Not Satisfied	Completely dejected
Basic	16.0	16.0	39.6	16.0	12.3
HRA	17.0	13.2	39.6	19.8	10.4
Group Insurance	51.9	16.0	19.8	7.5	4.7
Bonuses	48.1	21.7	12.3	7.5	10.4
Medical Benefits	44.3	11.3	16.0	17.0	11.3
Abroad traveling opportunities	35.8	9.4	39.6	9.4	5.7
Paid time off	30.2	13.2	35.8	8.5	12.3
Higher education options	34.0	15.1	18.9	7.5	24.5
Gym and other recreational amenities	67.9	10.4	11.3	5.7	4.7
Pickup and drop	58.5	12.3	14.2	7.5	7.5
Training and upgrading skills	26.4	12.3	16.0	13.2	32.1
Regular management feedback to improve mistakes	28.3	11.3	34.9	15.1	10.4
Cafeteria facilities	50.0	17.0	15.1	14.2	3.8
Yearly paid vacation	51.9	12.3	17.9	8.5	9.4
Tour allowances	63.2	8.5	18.9	5.7	3.8
Night shift allowances	60.4	3.8	23.6	10.4	1.9
Family get together	61.3	9.4	17.9	9.4	1.9

Office parties	51.9	8.5	24.5	7.5	7.5
Monthly achiever recognition	51.9	19.8	13.2	4.7	10.4
Target achievement recognition and cash prize	50.9	20.8	14.2	4.7	9.4
On call training and guidance by trained supervisor	29.2	8.5	15.1	14.2	33.0
Quality assurance & failure root cause analysis and further training	26.4	11.3	14.2	14.2	34.0
Retirement benefit	59.4	11.3	11.3	3.8	14.2

The table shows that the people are deriving the maximum satisfaction from Night shift allowances (60.4%), Tour allowances (63.2%), Family get together (61.3%), Gym and other recreational amenities (67.9%) that means the people are actually becoming more family and health oriented and seeking night shift disturbance allowances due to the nature of work in wee hours. Next level of priority they have given to the factors e.g. Pickup and drop (58.5%), Retirement benefits (59.4%) which shows the crowd is looking this sector from more long term perspective and may be life long career where they might find even the retirement benefits. This Indian generation is habituated in seeing their earlier generation enjoying retirement benefits being public servant. Group Insurance (51.9%), Yearly paid vacation (51.9%) also motivates people and they draw satisfaction in the next level priority that shows this segment is getting much matured and looking for more family orientation. The above said factors are more important compared to Basic (16.0%), HRA (17%).

Table 3. Sex and compensation satisfaction

		Mean	SD	t
Compensation	Male	52.66	20.07	-.33 (df = 104)
	Female	54.16	20.77	
Job satisfaction	Male	65.69	22.07	1.74 (df = 104)
	Female	59.15	16.32	

Further attempt was made to find out the mean satisfaction level of males and female respondents. It was found out that although their mean compensation satisfaction and job satisfaction level differed slightly, further t test confirmed that there is no significant difference (Table 3). It implies that although female employees have problems related to nightshifts (Jayanthi & Venkatramaraju 2009), the compensation has not been compromised.

Table 4. Age group and compensation satisfaction

	Age group	Mean	SD	F
Compensation	21-25 years	52.18	17.84	3.36* (df = 102/3)
	26-30 years	48.59	19.19	
	31-40 years	66.0	26.94	
	>= 41 years	58.17	24.93	
Job satisfaction	21-25 years	64.45	19.08	.75 (df = 102/3)
	26-30 years	59.64	16.71	
	31-40 years	59.50	16.86	
	>= 41 years	55.83	23.43	

*p<.05

As it is reflected in the Table 4, respondents of different age groups significantly differed in the perceived levels of compensation satisfaction, however, their job satisfaction level did not differ significantly. From the mean scores it is evident that respondents in the range of 31-40 years were highly satisfied with their compensation package in comparison to others but it was not reflected in their job satisfaction level. Youngsters in the age group 21-25 years found to be more satisfied with the job. Such finding invites more insight into this phenomenon.

Table 5. Compensation satisfaction correlation

	Mean	SD	Pearson's <i>r</i>
Compensation	53.71	21.40	0.48***
Job satisfaction	61.12	17.94	

*** p < .001

The satisfaction perceived from different components of compensation was obtained from a five point rating scale. The total score of individual respondents in each component was

compared with their job satisfaction level obtained from a five point Likert type of scale. The correlation coefficient score (0.48) of both variables being significant at .001 level of significance (Table 5) implies that the satisfaction level on different components of the compensation is highly correlated with the job satisfaction level.

V.0 DISCUSSION AND CONCLUSION

One of the recent finding suggest that a number of Indian BPO firms employ exclusivist strategies, such as open human resource policies and other collectivistic human resources practices such as team reward and compensation, team performance evaluation, etc. (Sarkar, 2009). This may be the brightest explanation of our finding that compensation was highly correlated to job satisfaction. There are other points too which explains the reason for job satisfaction. According to Yen and McKinney (1992) perceived job characteristics positively relates to compensation satisfaction and so far as the job characteristics of Indian BPOs are concerned they have a formal, structured, and rationalized HRM system (Budhwar, Luthar and Bhatnagar 2006). Moreover, in support of the previous findings (Dreher, Ash & Bretz, 1988), this study found out that there is age difference so far as perception of compensation satisfaction is concerned.

Our findings are in line with certain surveys conducted by reputed organizations. For example, a Towers Watson's Global Workforce Study (2010) noted that increasingly more employees in India are taking an opportunistic attitude and are open to job shifts to advance their careers. Similarly, our study also found that the people are more interested to find on the job training, interested to study more while working and which would enhance their career path. As per the same study, only 25 percent Indians and 23 percent of Chinese employees listed working for one organisation as their preferred career model. This trend in China and India is symptomatic of growing economies and the optimism it generates. Employees here are more bullish about the future and are willing to follow opportunities as they arise. To retain talent, India Inc will have to increasingly engage its employees in every aspect-be it competitive pay, learning opportunities, challenging work, career advancement opportunities or being an employer of choice. Because with the time our study found the ITES/BPO sector is also getting matured people who're looking for long term career within this sector are slowly trying to get settled and looking for long term growth and career. Despite being a

decade or more removed from a highly paternalistic employment deal in parts of the world, findings in several studies now indicating that self-reliance is more of an intellectual construct than the behavioral reality for employees. This is most obvious when it comes to employees' views about providing for their working lives and into retirement. The study shows that globally employees understand that, they are solely or chiefly responsible for ensuring their futures and their long-term financial and physical health and well-being. Our study also shows that pattern and validates the above observations. Many employees are currently sacrificing advancement for job security.

This study pertains to a single city of India i.e. Mumbai and the findings of the study should be generalized with caution. Other limitations of the study include non probability sampling and small sample size. However, the findings generated can be directly helpful for the BPOs at Mumbai and some generalizations for India can be taken with caution.

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