Factors Affecting Employee Retention In The Philippine Business Process Outsourcing Industry: Integrating Job Embeddedness Theory

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Abstract

According to several studies, Business Process Outsourcing (BPO), a well-known strategy by companies which operates the non-core functions of a company, is experiencing a downturn in the industry according to the huge turnout of employee attrition which impacts the company's performance and competitiveness. Thus, the study aims to identify factors affecting employee retention in the Philippine BPO industry by integrating Job Embeddedness Theory utilizing Minitab 19 Statistical software to perform Multiple Regression Analysis. A self-administered questionnaire was distributed through convenience sampling, gathering 710 respondents at least 18 years old and currently/previously employed in a Philippine BPO company. Results show that Rewards and Recognition, Employee Engagement, Fit, Job Satisfaction are significant variables affecting employee retention among employees in the Philippine BPO Industry. The researchers have provided a strong model and important findings to easily understand the significant factors which will enable BPO companies in the Philippines to strategically position themselves by improving company policies to avoid unnecessary costs about monetary and performance-related setbacks.

Keywords
Business Process Outsourcing, Employee Retention, Employee Attrition, Job Embeddedness Theory, Multiple Regression Analysis

1. Introduction
Business Process Outsourcing (BPO) is a well-known strategy by companies in which a defined part of the company's operations or non-core functions is passed on to specialized external service providers (Mukucha, et al. 2020). Some of the commonly availed non-core functions include back-office activities and support activities, making outsourcing optimal for companies to focus more on the core activities. Meanwhile, remaining competitive in the market by improving product quality, customer service satisfaction, and the overall performance of the business process (Isaksson and Lantz 2015; Krysinska et al. 2018 & Gažová et al. 2022).

Employee attrition in the BPO industry has already been a challenge since its very beginning averaging approximately 25% attrition rate each year which reveals the organization's internal power by exposing its weakness in retaining its employees, making it harder to attract potential workers (Delle-Vergini 2018; Mishra and Solanki 2018). Hence, the causality of having higher attrition levels indeed vastly affects a company in monetary aspects such that it accounts for costs incurred from the recruitment process, training, and time which adversely affects a company's overall productivity and performance (Malhotra & Gautam 2016).

The increasing attrition rate in the BPO industry is indeed alarming; thus, a company needs to be able to identify the reasons for its employee attrition which could be done through a practical internal assessment of a company. Within its existing aspects and by having it addressed through intervention schemes which in the end would also aid the significant increase in employee engagement within a company (Negros 2021). Through this study, the researchers

confirmed which significant factors directly or indirectly affect each other and thoroughly understood the causes of high turnover in the BPO industry in the Philippines concerning employees' experiences.

1.1 Objectives

As employee retention still remains to be a major concern among BPO companies, the research group considered several unique factors based on gaps between several studies aiming to resolve the issue on employee retention. Thus, the study aims to determine statistically significant factors influencing employee retention within the business process outsourcing companies in the Philippines integrating Job Embeddedness Theory. It also aims to conclude the results from Minitab 19 Statistical Software - Multiple Regression Analysis, allowing new information for BPO companies to formulate new strategies and techniques to reduce employee attrition and retain social capital utilizing the results.

2. Literature Review

In a workplace that requires a lot of demand, it is common to experience work stress and feelings toward job commitment, which then impacts an employee's performance and contributes to their decision to leave the organization (De Ocampo & Aguiling, 2018). Organizations must make sure that their employees are highly motivated and to some extent, protect the employee's psychosocial well-being through better work relationships such as a leader practicing transformational leadership as it is seen to be a pertinent predictor of employee performance. Managers can build a balanced communication and connection with their employees, which influences an employee's job satisfaction and positively impacts their decision to stay with the company (Shemueli et al. 2020; Dale 2020). Moreover, the management should provide tools for professional and personal development of their employees, including employee recognition. Employees are more likely to look for a new job when the employer is seen to be only concerned with reaching key performance according to a study by Rara et al. (2017). Moreover, according to Aguiling (2018), employees feel more satisfied when existing pay systems in the organization are provided according to fairness and employee performance evaluation. Despite the monetary rewards provided for the employees by BPO companies, Malhorta and Gautam (2016) mentioned that the demand and challenges in the BPO industry are said to cause disruption in the family life of the employees and even affect their health.

Occupational health problems may be in the form of physical, mental, or psychosocial which is a key factor contributing to high attrition that is arising among workers in the BPO industry in the Philippines, such problems are eyes related, voice disorders, insomnia, and musculoskeletal disorders (Ceblano et al. 2019 Subbarayalu 2013). In a study by Burton (2017), health risk factors were more present to those workers with low employee engagement than those highly engaged employees. Thus, according to Amit and Ultra (2020), occupational health problems should be identified early by the organization to reduce the chances of employee turnover among Filipino BPO employees. Furthermore, engaged employees add value to the organization through productivity and profitability and customer satisfaction. Employee's intention to stay and less likely to sacrifice their job for another because engaged employees have high energy, self-efficacy, and have enthusiasm about their work. These factors make them more motivated, satisfied with their job, and build better relationships with colleagues (De Ocampo, et al. 2018; Prabhu 2016).

Additionally, the Job Embeddedness Theory is integrated into this study as it focuses on the reasons and factors that increase employee retention to hold back the employee's behavioral and cognitive withdrawal. It covers three elements, namely the links, fit and sacrifice, while being associated simultaneously with two sub-dimensions: the community and the organization (Zhang et al. 2012). Therefore, the variables surrounding the study are Occupational Health Problems, Psycho-social factors, Rewards and Recognition, Links, Fit, Sacrifice, and Job Satisfaction. These variables will be considered in determining the significant factors influencing employee retention in the Philippine BPO industry.

3. Methods

The integration of Job Embeddedness Theory could be used to assess factors affecting employee attrition in the Philippine BPO Industry. The study will benefit future researchers, employees, and BPO companies to improve further and develop effective management styles and strategies, which shall help increase overall organizational performance and employee productivity.
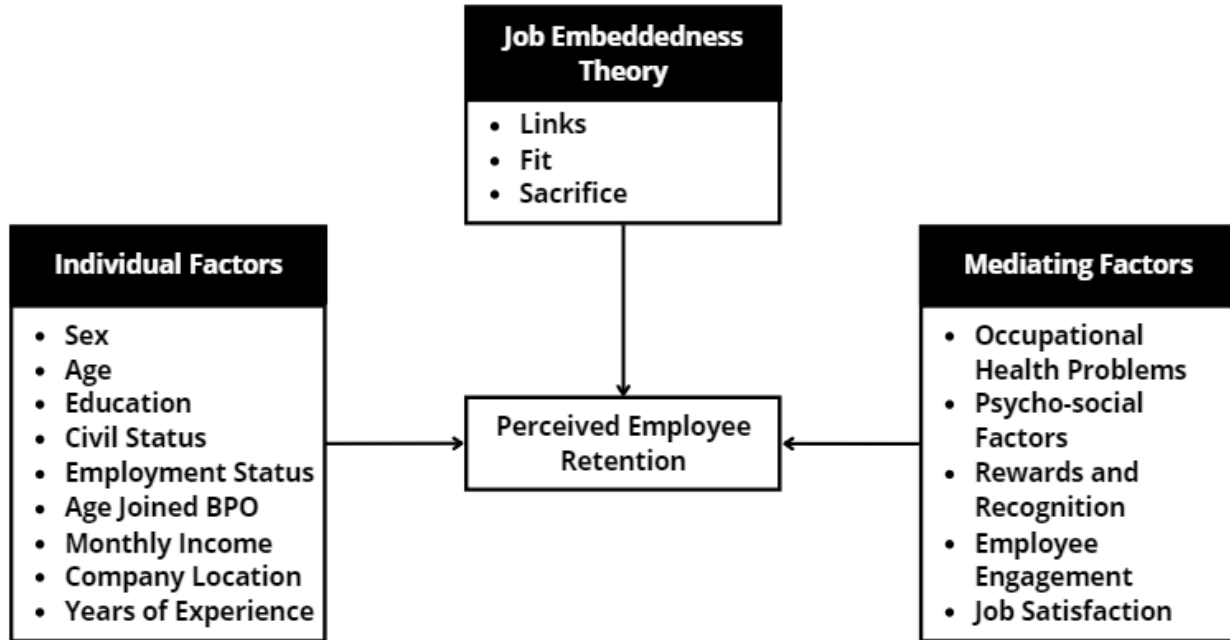
Figure 1. Conceptual Framework

The researchers gathered 710 respondents from Luzon through the self-administered questionnaire survey, which was distributed through convenience sampling. Based on the results of the data collected, most of the respondents are single female employees, ranging between 25-32 years old, with most having a Bachelor's Degree. Table 1 provides more detailed profile information of the respondents.

Table1. Demographic Profile of Respondents

Characteristics	Category	%
Sex	Male	23.7
	Female	72.8
	Prefer not to Say	3.5
Age	18 to 24	37
	25 to 32	43.5
	33 to 40	14.2
	41 and above	5.2
Highest Educational Attainment	High School	17.2
	Bachelor's Degree	70.4
	Master's Degree	1.1
	Doctoral Degree	0.3
	Associate Degree	2.8

	Undergraduate	8.2
Civil Status	Single	86.8
	Married	12.5
	In Relationship	0.7
Employment Status	Employed	77.7
	Formerly Employed	22.3
Start of BPO Career	18 to 24 yrs old	80.7
	25 to 32 yrs old	15.4
	33 to 40 yrs old	2.7
	41 yrs old and above	1.3
Estimated Monthly Income	less than PhP 18,000	17.9
	PhP 18,000 to PhP 25,000	41.8
	PhP 25,001 to PhP 30,000	15.5
	PhP 30,001 to PhP 35,000	8.3
	PhP 35,001 to PhP 40,000	5.2
	PhP 40,001 to PhP 45,000	3.7
	PhP 45,001 to PhP 50,000	2.7
	PhP 50,001 to PhP 70,000	3.4
	PhP 70,001 to PhP 90,000	0.8
	Above PhP 90,000	0.7
BPO Company Location	Luzon	91.3
	Visayas	5.6
	Mindanao	3.1
Duration in the BPO	Less than a year	23.4
	1 to 2 yrs	20.8
	3 to 4 yrs	20.7
	5 to 6 yrs	13.8
	7 to 8 years	7.5
	9 to 10 years	5.1
	more than 10	8.7

4. Results and Discussion

The data that was gathered through the self-administered survey questionnaire which had respondents nationwide were used to perform correlation analysis to not only identify but also measure the factors strengthened in the results of the study. The researchers used Minitab 19 Statistical software to conduct Multiple Regression Analysis to determine the statistically significant factors affecting employee retention in the Philippine BPO industry.

4.1 Multiple Regression

Based on the results indicated in Table 2, Rewards and Recognition (RR), Employee Engagement (EE), Fit (F), and Job Satisfaction (JS) all have a p-value equal to 0.000 and are identified as factors significantly affecting employee retention in the Philippine BPO industry.

Table 2. Minitab 19 – Multiple Regression

Source	DF	Adj SS	Adj MS	F-Value	P-Value
Regression	80	271.979	3.39974	27.21	0
Monthly Income	1	0.407	0.40666	3.26	0.072
Years of Working	1	0.308	0.30809	2.47	0.117
Psycho-social Factors	13	2.358	0.1814	1.45	0.131
Rewards and Recognition	15	11.09	0.73934	5.92	0
Employee Engagement	9	13.745	1.52718	12.22	0
Fit	12	7.9	0.65835	5.27	0
Sacrifice	13	2.676	0.20584	1.65	0.069
Job Satisfaction	16	14.576	0.91098	7.29	0

Table 2 shows the significant variables of the study. According to Aziz (2021), Rewards and Recognition attracts employees to stay within the company because it encourages employees to perform their duties as they become more motivated due to the organization's support. This shows that recognizing the employee's performance and rewarding them accordingly is advantageous for the effectiveness and efficiency of the organization (Akafo and Boateng 2015). Moreover, employees who are more engaged in the BPO industry are more likely to have more implicated sacrifices done to sustain their position and standing in the company they work for (Al-Kaseem 2017). Thus, in terms of Fit, employees can utilize their expertise through confidence resulting to belongingness and high work motivation. This allows employees to grow and expand their involvement with the team (Ariola 2017; Santos and Caballero 2017; La Paudi et al. 2022). Furthermore, Job Satisfaction improves employee retention because a sense of happiness through contentment or satisfaction toward the company due to job security, excellent training, and development - results in the employee's improved expertise, competitiveness, and ability, and the likes increase the employee's willingness to stay with the company (Giridhar & Malyadri 2019; Staniulienė et al. 2022; Htun 2022). Having lesser risks of sacrificing the employee's work for their family leads to a more satisfied and motivated employee who will be dedicated to the company and perform to the best of their ability and work beyond the call of duty to satisfy customer needs (Irabor & Okolie 2019).

4.2 Model Summary

As seen on Table 3, the R-sq value of the multiple regression model is 80.63% which determines the study's model fit. Meanwhile, the adjusted R-squared value decreased by 2.96%, stating that the data will improve accordingly if at any number of predictors are to be included in the model (Necio et al. 2019).

Table 3. Minitab 19 - Model Summary

S	R-sq	R-sq (adj)	R-sq (pred)
0.353447	80.63%	77.67%	*

4.3 Spearman Correlation

The researchers used the Spearman Correlation by utilizing the IBM SPSS statistics software to measure the extent of the relationship between two factors/variables (Schober et al. 2018). Provided in Table 4 is the correlation coefficient between the independent variables and the dependent variable which is the Perceived Employee Retention and the interpretation of each correlation coefficient according to Schober et al. (2018).

Table 4. SPSS Results – Correlation Coefficient

Factors	Correlation Coefficient	Relationship
Sex	0.018	Negligible Positive Correlation
Age	-0.034	Negligible Negative Correlation
Education	0.032	Negligible Positive Correlation
Civil Status	0.016	Negligible Positive Correlation
Employment Status	-0.151	Weak Negative Correlation
Age Joined BPO	0.02	Negligible Positive Correlation
Monthly Income	0.082	Negligible Positive Correlation
Company Location	-0.068	Negligible Negative Correlation
Years of Experience	-0.025	Negligible Negative Correlation
Occupation Health Problems (OH)	-0.11	Weak Negative Correlation
Psycho-social Factors (PS)	0.554	Moderate Positive Correlation
Rewards and Recognition (RR)	0.636	Moderate Positive Correlation
Employee Engagement (EE)	0.723	Strong Positive Correlation
Links (L)	0.625	Moderate Positive Correlation
Fit (F)	0.626	Moderate Positive Correlation
Sacrifice (S)	0.512	Moderate Positive Correlation
Job Satisfaction (JS)	0.747	Strong Positive Correlation

Based on the results from the Spearman correlation, the correlation coefficients of the factors Employee Engagement and Job Satisfaction indicate a strong and positive correlation to the dependent variable. Furthermore, Psycho-social Factors, Rewards and Recognition, Link, Fit, and Sacrifice imply a moderate positive correlation. On the other hand,

employment status and Occupational Health Problems have weak negative correlation with the dependent variable. Lastly, Sex, Age, Education, Civil Status, Age Joined BPO, Monthly Income, Company Location, and Years of Experience exhibit a negligible correlation over the Perceived Employee Retention in the Philippine BPO industry.

5. Conclusion and Recommendation

The research is conducted to identify and also understand the statistically significant factors affecting employee retention among Filipino BPO employees. The variables presented in this study were examined carefully and were grounded according to the application of the Job Embeddedness Theory. Alongside, using the Multiple Regression Analysis the said variables were evaluated. The results indicate that the management should focus on increasing Rewards and Recognition (RR), Fit (F), Employee Engagement (EE), and Job Satisfaction (JS) as these are statistically significant factors affecting employee retention in the Philippine BPO industry with a model fit of 80.63%.

Moreover, the researchers recommend prioritizing employees' rewards and recognition (RR) in terms of re-evaluating employee compensation and aligning them to their key performance indicator which also relates to employee job fitness (F), which impacts the whole organization itself. In addition, the researchers recommend improving employee engagement (EE) through town hall meetings to assess the current work relationship among employees and the overall work environment. Lastly, increasing Job Satisfaction (JS) in ways such as ensuring a cohesive work environment, aligning management structure and providing more growth opportunities like training and personal development programs shall make employees feel more satisfied towards their jobs. Hence, it will reduce incurred training costs and turnover rates for the company while allowing it to achieve increased profitability as an organization. Furthermore, future studies may also apply other hypotheses that would be relevant in reducing employee attrition among BPO employees.

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