Analysis of High Employee Turnover and its Effect on Productivity in the Inbound Call Center Human Resources Administration Industry

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Abstract

For the past 18 months, the U.S. has been in the midst of a work revolution ignited in great part by the global pandemic, which prompted Americans to have a professional reassessment (Solman & Lincoln Estes, 2021) and life evaluation resulting in the highest turnover rate in twenty years (Vesoulis, 2021). High employee turnover has been a never-ending problem for organizations, particularly in the call center services industry that presents an estimated annual turnover of 35-50% (Posey, 2019). To diagnose the problem, this study exhaustively analyzes all contributors to turnover—with a focus on productivity and the detrimental effects on employees' well-being; the most recent recommendations listed by other research; the negative effect turnover has on the organization; and the actions, or lack thereof, taken by XYZ company to solve this problem. The study identified fourteen contributing factors to high employee turnover in the call center industry, as well as fourteen recommendations likely

to prevent it. No recommendation provides any conclusive retention strategy that eliminates or significantly reduces the problem. A new recommendation that has shown significant advantage was presented. By analyzing the actions taken by U.S.-based XYZ company, this paper dives into a recommendation that, as extensive evidence shows, has been proven to eliminate the voluntary turnover problem and increase profitability in organizations.

High employee turnover has been a never-ending, ever-present problem for organizations, largely in part for its detrimental effect on employee productivity and organizational profitability, with studies researching its effects, turnover costs, possible causes and retention strategies dating all the way back to the 1910s (Douglas, 1918; Eberle, 1919). The call center industry, in particular, bears the blunt of said problem by presenting an estimated annual turnover of 35-40% (Posey, 2019); some studies going as far as citing turnover percentages of triple digits (Ballard, 2012).

Inside this industry, XYZ company in the United States (U.S.) competes as a third-party service provider by taking over the human resources (HR) administration responsibilities for numerous clients as part of business-process outsourcing agreements. As such, XYZ offers their clients call centers that are in charge of managing highly specialized HR functions (e.g., payroll and benefits administration, among others), effectively turning the inbound agents into the primary point of interaction for customer service and revenue (Combs, 2017). XYZ's actions towards employee turnover demonstrate how the importance of the employee is seen from a purely numerical perspective to help meet certain metrics (e.g. number of agents available in the floor), rather than an employee value-based perspective. Therefore, full-time call center employees continue to jump ship voluntarily, contributing to the average annual voluntary employee turnover rate.

In other words, although many of these companies fully acknowledge the employees' influence on the quality of service offered (Combs, 2017), they purposely overlook the high employee turnover rate in the pursuit of achieving certain metrics for their clients that will, in turn, help retain said clients by contractual achievement, consequently prioritizing long-term returns over their employees' well-being.

For said reason, the purpose of this high-employee-turnover study will not be to analyze its effect on profitability, but rather on employee productivity by examining to the extent this affects the employee instead of the organization. The study will exhaustively analyze all contributors to high employee turnover; most recent recommendations listed by other research as likely to prevent this problem; negative effect turnover has on the organization; actions taken by XYZ company; and a new recommendation that can contribute to the existing body of knowledge.

Literature Review

High employee turnover in the call center industry has been a heavily researched topic spamming over the last few decades, with studies contributing to the literature with recommendations and strategies derived from indicative results, yet no significant advancement has been done in solving the problem as its evidenced by the estimated annual turnover among call centers (Posey, 2019). Instead of moving closer to a solution, the factors contributing to high employee turnover continue to rise with the list of negative factors to the well-being of an employee getting more extensive with the years.

The call center environment

Since originating in the 1990s (Posey, 2019), call centers have been known for the particular job demands in a high stress work environment characterized by structural division of labor, extensive use of technology, performance monitoring and quality control (Molino et al., 2016). A recent study of over 500 agents from an Italian telecommunication company found emotional labor to be a major characteristic of call centers. Defined as “the process of regulating feelings and expressions as part of the work role” (Molino et al., 2016), emotional labor is not only encouraged but also expected given how service agents can only express emotions that are congruent with organizational norms and standards. As Molino et al. (2016) detail, employees must suppress negative emotions despite the extent of customer verbal aggression received, and only express emotions acceptable by the organization—a concept known as emotional dissonance, and just one of the many factors contributing to voluntary employee turnover.

Job demands and job resources

In the search of identifying practical implications that can help support employees cope with emotional labor and promote well-being in inbound service call centers, Molino et al. (2016) tested a conceptual model that analyzed two, well-identified call center job demands (workload and customer verbal aggression), and three job resources (supervisor support, colleague support and job autonomy), as they relate to affective discomfort through the mediation of emotional dissonance. Affective discomfort, another contributor to employee turnover, refers to the intensity of high negative emotions experienced at work coupled with a low sense of well-being. The results of said study are displayed on Table 1.

The implications of said results are the following (Molino et al., 2016):

- As job demands—workload and customer verbal aggression—increase, so does the affective discomfort and emotional dissonance in the employee.
- As job resources—supervisor support and job autonomy—decrease, the affective discomfort and the emotional dissonance in the employee increases.

In other words, whatever the cause, whether it be due to increasing job demands or the absence of job resources, emotional dissonance and affective discomfort contribute to employee turnover.

Table 1

Relationship of Employee Turnover Contributors with Job Demands and Job Resources

High Employee Turnover Contributors	Job Demands		Job Resources		
	Workload	Customer verbal aggression	Supervisor support	Colleague support	Job autonomy
Affective Discomfort					
Correlation	Positive	Positive	Negative	No direct relationship	Negative
Emotional Dissonance					
Correlation	Positive	Positive	Negative*	No direct relationship	Negative

**Note:* Study analyzed correlations for two sets of call center employees, customer assistance service (CA) and information service agents (INFO). Emotional dissonance only correlated negatively to supervisor support in CA agents, which for the purpose of this study is applicable since all agents from XYZ company are CA agents (Molino et al., 2016).

Overall, the study identified the following job demands, some of which are later on included as contributors to employee turnover:

- workload

- customer verbal aggression
- repetitive job activities
- high cognitive effort
- increased time pressure
- decreased job autonomy
- performance monitoring (Molino et al., 2016).

Contributors to high employee turnover

For purposes of this study, an extensive literature review was performed into possible factors contributing to high employee turnover in the call center industry, successfully identifying a total of fourteen factors as displayed in Table 2. The aim of the research studies listed below was to identify the factors contributing to employee turnover in order to diagnose what could be the cause and find a solution that can significantly reduce the turnover problem.

Table 2

Compilation of Factors Contributing to High Employee Turnover

Turnover factors	Supporting research
Affective discomfort	Warr, 1990; Van Katwyk et al., 2000; Quaglino et al., 2010; Biggio and Cortese, 2013; and Emanuel et al., 2014a via Molino et al., 2016.
Age	Arvind & Kubowicz, 2013; and BLS, 2014 via Combs, 2017.
Call types	Zapf et al., 2003; Wegge et al., 2006b; Aksin et al., 2007; Lewin and Sager, 2007; Lin et al., 2010; and Rod and Ashill, 2013 via Molino et al., 2016.
	Griffin, 2021.

Turnover factors	Supporting research
Depersonalization (cynicism)	Lee & Ashforth, 1990; Lingard, 2003; Choi et al., 2012; Leiter & Maslach, 2009; Amigo et al., 2014; and Maslach & Leiter, 2016 via Griffin, 2021.
	ELÇI et al., 2018.
Education and skills	Combs, 2017.
Emotional dissonance	Zapf et al., 1999; Holman et al., 2002; Grebner et al., 2003; Holman, 2003; Lewig and Dollard, 2003; Zapf et al., 2003; Grandey et al., 2004; Ghislieri et al., 2012; and Emanuel et al., 2014b via Molino et al., 2016.
	Zito et al., 2018.
Emotional exhaustion	Ashill and Rod, 2011; and Choi et al., 2012 via Molino et al., 2016.
	Arango-Botero et al., 2018.
	ELÇİ et al., 2018.
	Griffin, 2021.
Employee burnout	Maslach & Jackson, 1981; Lee & Ashforth, 1996; Maslach et al., 1997; Fogarty et al., 2000; Payne, 2001; Cropanzano et al., 2003; Huang et al., 2003; Shimizu et al., 2005; Toppinnen-Tanner et al., 2005; Pienaar & Willemse, 2008; Jones et al., 2010; and Choi et al., 2012 via ELÇİ et al., 2018.
	Weisberg, 1994; and Woo et al., 2019 via Griffin, 2021.
Job satisfaction state	Deery et al., 2013; Asaduzzama et al., 2014; Bajwa et al., 2014; Derby-Davis, 2014; Waseem, 2014; and Jadoo et al., 2015 via Combs, 2017.
	Arango-Botero et al., 2018
	ELÇI et al., 2018.
	Zito et al., 2018.
Job shock	Lee & Mitchell, 1994; and Holtom et al., 2005 via Posey, 2019.

Turnover factors	Supporting research
Management	Gayathri et al., 2012; Tse et al., 2013; Kasenga & Anna-Karin, 2014; and Khan & Du, 2014 via Combs, 2017.
Organizational culture and commitment	Leblanc, 2013; Perkins & Arvinen-Muondo, 2013; Habib et al., 2014; Saeed et al., 2014; and Patil & Ramanjaneyalu, 2015 via Combs, 2017.
Quality of subordinate and supervisor relationships	Charoensukmongkol et al., 2016 via ELÇİ et al., 2018.
Workload overload	Arango-Botero et al., 2018.

Call type is a determinant factor for employee turnover since the levels of stress, emotional labor, and job burnout vary greatly between inbound and outbound call center agents. Inbound agents are subjected to greater emotional labor and stress (Molino et al., 2016) due to the nature of their role—helping customers that contact the center—which exposes them to complaints and customer verbal aggression.

ELÇİ et al. (2018) identified depersonalization, along with emotional exhaustion, as a negative outcome to stress that positively affects turnover intention. Choi et al. (2012) as quoted by Griffin (2021) supports this finding by detailing that emotional exhaustion can lead to an increase in depersonalization—i.e., the avoidance of psychological strain by disconnecting from the workplace. ELÇİ et al. (2018) and Griffin (2021) also agreed employee burnout has a direct positive relationship with turnover intention, noting how it can have detrimental impacts on employees' health such as addiction and psychological disorders. Moreover, Arango-Botero et al. (2018) in their study of a call center in Colombia, found emotional exhaustion to be one of the six factors related to an employee's well-being positively affecting turnover intention.

As noted by Zito et al. (2018), job satisfaction is a key factor on turnover dynamics by showing a positive relationship with life satisfaction and a negative one with employee turnover, overqualification, anxiety, depression and emotional stability. On the other hand, Posey (2019) focused on job shock—unexpected workplace events that cause the employee to resign voluntarily—as it relates to employee turnover as part of a study of call centers in southern U.S.. Job shocking events such as changing performance metrics, loss of promotion opportunity, inappropriate customer behavior, lack of respect for employees' personal time, hostile co-workers, or witnessing mistreatment of co-workers by management contribute to employee turnover, culminating in voluntary resignation if experiencing multiple events.

Turnover effect on the organization

Shifting the focus back to the organization, high employee turnover is known to have a negative impact on productivity and profitability by negatively affecting organizational performance (Combs, 2017) and having to incur in turnover costs. The turnover intention alone as a result of demotivated, burnout employees can lead organizations to incur in substantial costs due to absenteeism and lowered productivity (Posey, 2019). As Ballard (2012) notes, an organization with a high employee turnover rate can be impacted by the following factors: lost organizational knowledge, employee morale, additional training costs, added recruitment costs, poor customer service, and lost productivity and profitability (pp. 21-27).

Research recommendations

As with the contributing turnover factors, an exhaustive literature review was also performed to compile the current recommendations available in the existing literature to solve the turnover problem, effectively identifying a total of fourteen recommendations:

- prevent the damaging consequences of burnout on employee turnover intention through supervisor support, and subjective vitality, i.e., "the subjective knowledge and skill of being full of energy and alive" (ELÇİ et al., 2018);

- reduce employees' emotional exhaustion and depersonalization (ELÇİ et al., 2018);
- develop or improve training programs to enhance employees' emotion regulation skills and help improve emotional intelligence, emotional self-efficacy and emotional competence (Molino et al., 2016; Zito et al., 2018);
- develop training programs to help supervisors recognize the effort behind employees' emotional labor, and improve the support given in negative emotional situations (Zito et al., 2018);
- introduce or enhance human resource practices clarifying the emotional labor requirements for the job role (Molino et al., 2016; Zito et al., 2018);
- create and promote a positive and supportive work climate rather than a managerial-controlling environment (Combs, 2017; Molino et al., 2016; Zito et al., 2018);
- improve the control and job autonomy of service agents, as these negatively relate with emotional dissonance and turnover intentions (Molino et al., 2016; Zito et al., 2018);
- reduce or redistribute the workload (Molino et al., 2016);
- enhance emotional competency in order to reduce stress and emotional demands while increasing the level of employees' well-being at work (Molino et al., 2016);
- allow employees to recover and detach by creating a space for distraction and recreation during work hours (Arango-Botero et al., 2018; Zito et al., 2018);
- enhance organizational identification and sense of belonging (Zito et al., 2018)
- create a scale of incentives and emotional rewards for employees (Arango-Botero et al., 2018);

- adopt a joint perspective for evaluating well-being at work that comprises both the affective aspect—focuses on emotions and moods—and the cognitive aspect—focuses on growth and perceived fulfillment (Demo & Paschoal, 2016); and
- implement retention strategies with a focus on job satisfaction, reward and recognition, and opportunity and advancement (Combs, 2017).

Although these findings have greatly contributed to the current literature regarding the employee turnover issue affecting productivity in the call center industry, the issue lies in their indicative nature rather than their conclusive nature. None of these recommendations provide any conclusive retention strategy, or course of action, that irrefutably eliminates or, at the very least, significantly reduces the turnover problem. Not to mention most recommendations are conceptual rather than practical. For instance, "reducing emotional exhaustion and depersonalization" (ELÇİ et al., 2018) would certainly be the goal for any organization, but falls short as a practical application to the workplace, especially in organizations operating under a revenue-driven perspective. Different variations of the aforementioned recommendations have been applied over the years to several call centers to no avail as the call center industry continues to be one of the industries with the highest annual turnover rate. The diagnosis of the illness is of great importance but does little to cure it if the critical thinking process ends there and no concrete, strategic plan is put into action.

Actions Taken by Call Center XYZ

For purposes of this study, XYZ company will remain anonymous. Titles for initiatives or studies performed by the company were therefore changed, whilst maintaining the foundation and effect said action had on employee reception and overall turnover.

Excellent Work Yields More Work

"The harder you work here, the more work they will give you, without paying you any additional compensation" (Anonymous, 2020).

With a current rating of three to three and a half stars—rating varies per workplace website—XYZ has thousands of reviews on Indeed, LinkedIn and Glassdoor highlighting the issues that drove each employee to their voluntary turnover, with most of them not only seen by XYZ themselves, but publicly acknowledged by the company along with wishing them luck on future endeavors. In said reviews, several employees detail how they are seen as replaceable with no effort given towards improving training, increasing compensation, reducing performance monitoring, increasing supervisor support, eliminating employee burnout, or managing emotional wellbeing. Instead, excellence in job performance is rewarded with more work without any additional compensation or support provided, producing an overworked, undervalued workforce. Employees also detail how in the company's pursuit of meeting certain metrics, the quality of training, and thus the quality of the work, is being sacrificed at a conscious level causing many to voluntarily resign. As a result, XYZ has an underprepared, overwhelmed workforce that may be prone to miscounseling on highly specialized HR functions, such as payroll or health benefits, providing incorrect financial or health information and affecting both the employee, as well as the client's employees, i.e., the customers calling for assistance.

XYZ's Awareness of Turnover Issue – Actions Taken

XYZ works around the aforementioned issues by embarking on new onboarding processes every three months or so which range from fifty, to almost two hundred, new employees. Most importantly, the company has long been aware of its high employee turnover issue, as well as the detrimental state of their employees' emotional wellbeing, as evidenced by a study developed and conducted by the company on a yearly basis. The publicly disclosed study, which has been examining employees' attitudes and experiences a little over a decade now, claims to be aimed at employee wellbeing yet justifies their reduced productivity and increased turnover without acknowledging or addressing any of the underlying issues at hand—e.g., company prioritizing bottom line metrics over the value of the employee, rushed training or lack thereof, intense emotional labor and its harmful effect on the employee, lack of supervisor support, etc.. Furthermore, the company uses such study to both predict, as well as excuse, any action that might be indicative of voluntary turnover intention, such as taking any sort of time off from the company (i.e., an increase in paid time off , PTO, usage and an increase in medical appointments), by pointing the finger at external sources and freeing themselves of any responsibility. As far as the stockholders are concerned regarding the employees, per the study published in mid-2021 (XYZ study, 2021), XYZ expects to see:

- an increase in turnover "due to people looking to find the right fit" (XYZ study, 2021)—not due to the job, actions taken by the organization or lack thereof;
- a reduction in productivity since "the only reason employees worked more hours before was because they couldn't go out"—placing the blame on the normalization of everyday activities after restrictions due to global pandemic, COVID-19 (XYZ study, 2021);
- an increase in PTO usage—listing COVID-19 as the culprit; and
- an increase in sick day usage—also placing the blame on the coronavirus.

By developing and publishing their own study, as well as conducting their own surveys, XYZ makes sure to control the narrative by having control over the survey results and choosing what percentages to publish regarding the feelings of burnout, unsatisfaction towards the organization, uncertainty about financial future, and overall well-being of the employee. It should be no wonder the reasons listed by the company regarding low productivity and high employee turnover decidedly point the blame at anything else except the job, or the organization itself.

Not to mention, as evidenced by the Hawthorne experiment on worker behavior performed in the early 1930s (Robbins & Judge, 2014), employees' awareness of a study will impact their behavior and affect the results obtained. Therefore, a workforce that feels the company sees them as replaceable will be less forthcoming about the reality of their well-being when asked by the organization itself, than when asked by a third, impartial party.

In addition to the well-being study, XYZ has also taken the following actions to address turnover as detailed by ex-employees and confirmed by current ones:

- allow for sick days to be used to care for a family member without the need of a medical excuse or diving into the employee's PTO days;
- allow for employee benefits to kick in immediately without the need of passing probation;
- offer a referral bonus program—albeit with a significant amount of fine print and rules in order for an employee to obtain said bonus;
- have a program to measure the growth of the employee in the call center—albeit composed of incredibly high performance and quality metrics needed before any promotion can be exercised; and
- offer an Employee Assistance Program (EAP), a confidential phone service where employees can call with problems regarding their health or job performance—although a representative calling during work hours will still impact their adherence, i.e., how much time an agent is 'Available' to receive calls.

Contractual Metrics Over Employees

"They only care about the bottom line numbers. No one is happy." (Anonymous, 2018).

As detailed above, several actions were taken by the company reportedly aimed at improving employee wellbeing, but instead served best to ease the stockholders' minds in regard to company performance. In fact, during the last decade while the employee wellbeing study was taking place, the company decided to go public on Nasdaq stock—a strategy to reaffirm their value and standing to their clients. As previously explained, these clients outsource their human resource management (HRM) activities to XYZ company—an independent, specialist company—as part of a cost-reduction strategy to benefit their own organization. In other words, the clients have no direct connection with the employee workforce at XYZ that is in charge of conducting their primary functions, and thus no way of knowing the wellbeing of said workforce other than the metrics provided by XYZ—metrics which XYZ has complete control over. It's a numbers game where metrics are valued over the employee, and the employee has little motivation to be productive for a company that does not treat them in a way that recognizes their value.

As reported by hundreds of reviews, employees feel that as long as the metrics are met and clients are retained via contractual agreement, no tangible effort—financial, strategic, or otherwise—is channeled towards the employees' wellbeing.

Thus, it can be concluded XYZ company has yet to take any action that can have a measurable, significant effect on successfully reducing employee turnover given that said initiatives do not address the concerns highlighted by the workforce.

Recommendation

For the past 18 months, the U.S. has been in the midst of a work revolution—whether organizations recognize it or not—ignited in great part by the pandemic forcing organizations to make necessary adjustments in order to allow their workers to work from home (WFH). During this time, Americans got to experience "how life would be if they had a little more say, a little more power in the workplace" (Kasparian, 2021) prompting a professional and life evaluation reassessment. As Harvard Business School (HBS) Tsedal Neeley pointed out, the amount of burnout, anxiety and stress brought upon COVID-19 became the driver towards the employees' realization of no longer wanting an overworked, overwhelmed, underpaid, and undervalued lifestyle as it is and wish to change it (Solman & Lincoln Estes, 2021). This is to say, the call center services industry is not the only one with a serious high employee turnover rate issue, nor is it the only one refusing to take definitive action to address it.

Highest Turnover Rate for Americans in 20 years

A report released October 2021 by the U.S. Bureau of Labor Statistics (BLS) found that, following the loss of 20.5 million jobs in April 2020 due to the rapid spread of COVID-19, August 2021 shows a "record-breaking 4.3 million Americans quit their jobs" (Vesoulis, 2021)—more than 40% higher than the number of resignations in August 2020—becoming the highest level on record since BLS started tracking turnover data in the year 2000. Highlights from BLS (2021) report include (Vesoulis, 2021):

- turnover rate in June and July 2021 was 2.7%;
- turnover rate increased to 2.9% in August 2021;
- August 2021 is the sixth consecutive month of 2021 with sky-high quitting rates;
- 892,000 workers quit accommodation and food services jobs;

- 721,000 quit retail positions;
- 534,000 U.S. workers quit from health care and social assistance positions;
- 10.4 million job openings; and yet
- 7.7 million people remain unemployed and not jumping at said job openings.

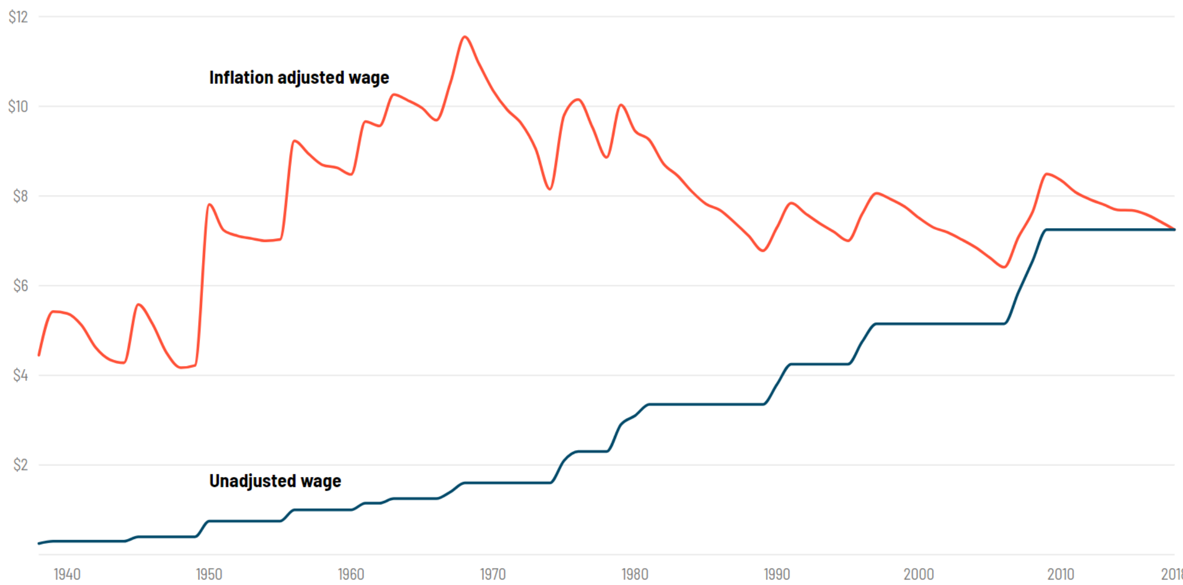
In trying to understand the cause for the turnover rate, former U.S. Secretary of Labor in the Clinton Administration, Robert Reich, told TIME that employees are “burned out”, “fed up”, “fried” and have no intention of returning to “backbreaking” low paying jobs (Vesoulis, 2021). As wages fail to keep up with surging prices, low wage jobs lack career growth opportunities, childcare industry drives up daycare costs, and an exorbitant disparity between CEO and workforce salaries, employees are less inclined than ever to settle for a job that underpays, undervalues, and overworks their workforce.

Disparity Between CEO and Workforce Salaries

The wage inequality in the U.S., particularly between CEO and workers, has long been seen as “the defining challenge of our time” as President Obama called it in 2013 (Weiss et al., 2015). Since being raised from $5.15 per hour in 2007 to $7.25 in July 2009 by Congress, the federal minimum wage has not increased, inherently failing to keep up with inflation (Figure 1). Instead, CEO compensation has surged to inexplicably high values, going from a ratio of CEO-to-typical-worker compensation of 21-to-1 in 1965, 61-to-1 in 1989, 293-to-1 in 2018 and 320-to-1 in 2019; showing an increase of 1,167% from 1978 to 2019, surpassing both S&P’s 741% stock market growth and the top 0.1% earnings growth (Mishel & Kandra, 2020).

Figure 1

Dollar Value of Minimum Wage in the United States Over the Years



Note: Figure obtained from CNN via BLS and Department of Labor (Kurtz et al., 2019).

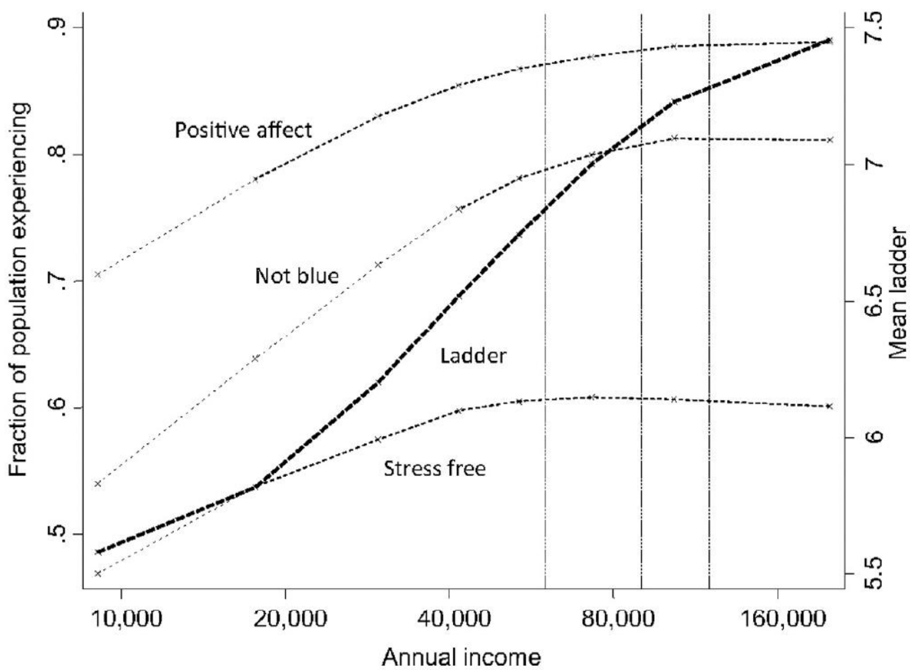
Herein lies the dichotomy in the dilemma: whilst failing to provide employees a living wage that keeps up with surging prices, organizations expect productivity without any investment. ‘Be productive at all costs, as long as we don’t have to cover said cost’. Organizations want employees to be productive in order to increase their profits, yet the productivity gains are going to CEOs who earn about 300 times more than typical workers (Keegan, 2015), causing employees to look elsewhere for an overall better quality of life and better compensation.

Effect of Income on Life Evaluation and Emotional Well-Being

In a Princeton University study that researches high income and how it relates to life evaluation and emotional well-being, psychologist Daniel Kahneman and economist Angus Deaton (2010) found that low income exacerbates the emotional pain associated with some of life’s misfortunes, e.g. divorce, ill health, and being alone—and that is associated with low life evaluation as well as low emotional well-being. Defined as “the emotional quality of an individual’s everyday experience, i.e., the frequency and intensity of experiences of joy, stress, sadness, anger and affection", emotional well-being was found to improve with income as it grew to about $75,000. Figure 2 illustrates the results of such research, showing that emotional well-being shows no improvement beyond $75,000 in the contemporary U.S.. Most importantly, the findings of said study show that "lack of money brings both emotional misery and low life evaluation" (Kahneman & Deaton, 2010) with many factors becoming significantly worse below $75,000.

Figure 2

Effect of Income on Life Evaluation and Subjective Well-Being



Note: Figure obtained from Harvard Business School case study *The $70K CEO at Gravity Payments* (Weiss et al., 2015) originally posted on Kahneman & Deaton's research (2010).

This leads to the following conclusion. If poverty exacerbates the effects of adverse circumstances, then contributors to high employee turnover such as emotional exhaustion, employee burnout and the state of job satisfaction, among others, cannot be successfully eliminated in order to increase productivity without helping to improve employees' lives as a whole—improving life evaluation and emotional well-being. Of course, as Kahneman and Deaton (2010) demonstrate, this can be done by increasing income to a point closer to $75,000.

The Dan Price Method

Dan Price, CEO of small credit card processor Gravity Payments—competing inside the merchant services industry (MSP)—had a salary of $1.1 million, about 23 times the $48,000 average at his company (Keegan, 2015). Prior to the year 2015, Price had taken some measures to increase productivity and improve employee's emotional well-being that, though well received, did not solve the underlying issue. These actions included (Weiss et al., 2015):

- Price stopped paying himself altogether in 2008 to successfully avoid layoffs or cuts to benefits;
- across-the-board pay raise in 2010;
- average 15% annual raises for 2011;
- started using one-question survey tool in 2013 to monitor happiness levels, benchmarked weekly against competitors; and
- implemented unlimited time-off in 2014 after employees' first year at the company.

Nonetheless, the socioeconomic inequality happening in the U.S. at the time regarding an increase to minimum wage highlighted the wage inequality in the company with several employees struggling to afford apartment rent in Seattle, Washington—a city with a cost of living 1.5 times higher than the national average and the 12th most expensive to live in the U.S. by 2014 (Weiss et al., 2015). With Gravity employees' average salaries of $48,000, these were earning 18% less than the median household income in Seattle (Weiss et al., 2015). As a result, Price read Kahneman and Deaton's research, among many others, and found that not paying workers enough can negatively affect their everyday well-being, as well as affect their life decisions, such as having kids or affording their apartment.

Taking Kahneman and Deaton's research regarding the benefits of happiness from the personal to the professional sphere (Weiss et al., 2015), Price made an announcement in 2015 to slash his own $1.1 million salary in order to raise the salary of the entire Gravity Payments workforce from $48,000 to $70,000 a year. Eviscerated as "an enemy of capitalism" (CBS News, 2021) and accused of being a socialist and a poor business leader (Weiss et al., 2015), Price stuck to his decision and raised the company's minimum wage to $50,000 in the first year, $60,000 the second year, culminating in $70,000 by year three.

Organizational Impact

> When you pay workers enough to meet their needs it creates a safety net. They no longer have to be stressed about making enough money to cover the basics and it creates a situation where people can focus on their work, career progression, and increasing their capabilities. (Price via Fallert, 2021).

Defying all financial experts that saw the move as a big risk and potential mistake, Price saw an immediate positive impact on the organization, as well as long-term, with the CEO revealing in 2021 that Gravity Payments is not only thriving, but his method works. Table 3 includes a compilation of all the positive changes that took place in the company, both short-term (immediately following the pay policy announcement) and long-term (September 2021).

Table 3

Short-Term and Long-Term Impact on the Organization, Gravity Payments

Short-Term Impact on the Organization *(2015, following the announcement)*	**Long-Term Impact on the Organization** *(Until September 2021)*
2015: • Website traffic increased 350-fold from its previous daily average, going from 40th Google result after searching 'merchant processing', to second (Weiss et al., 2015). • Customer retention rate rose from 91% to 95% in the second quarter of 2015, far above the industry average of 68% (Keegan, 2015). • New customer inquiries increased from thirty new ones per month, to 5,300 in the first month following the announcement (Weiss et al., 2015). • Gravity gained 335 new accounts. It gained another 413 accounts in July, thus increasing its MRR (Weiss et al., 2015). • Some clients left the company, some claiming it had turned political (Weiss et al., 2015). • Applications to work in the company increased from 100 to 300 applicants a month, to 4,500 applications in the week	2020: • Expanded to new Boise office enacting $70,000 minimum wage (Price, 2020). • By May, employees *voluntarily* cut their pay, $70,000 to $40,000 to save the company (CBS News, 2021). • By July, sales were up 31% from 2019 despite no increase in head count (Price, 2020). 2021: • Gravity repaid employees their lost wages and salaries went back to normal (CBS News, 2021). • Processing volume increased from $3.79 billion in 2014 to $11 billion in 2021 (Fallert, 2021). • Turnover rate cut in half since pay policy (CBS News, 2021; Price, 2021). • The number of employees had doubled (CBS News, 2021). • Customer base doubled (CBS News, 2021).

Short-Term Impact on the Organization *(2015, following the announcement)*	**Long-Term Impact on the Organization** *(Until September 2021)*
following the announcement; 9,000 others by end of July (Weiss et al., 2015).	• Customer attrition fell to 25% below the national average (Price, 2020). • Revenues tripled (CBS News, 2021). • Employee base grew 70% (CBS News, 2021).

Note: Compiled from multiple press releases immediately following the announcement, in the year 2020, and in the year 2021.

As the above table illustrates, revenues tripled, customer base doubled, customer attrition fell below national average, employee base doubled, and employee turnover rate was cut in half (CBS News, 2021; Fallert, 2021; Price, 2021). However, perhaps the most shocking impact took place in early 2020 during the onset of the COVID-19 pandemic after Gravity lost 55% of its business, this during a time where several other companies had to file for bankruptcy (CBS News, 2021). With only four months left before failing, Price presented the situation to his entire workforce only to be met by a unanimous offering from all employees to reduce their salary from $70,000 to $40,000 a year in order to help save the company. This action by the employees not only saved Gravity, but it allowed the company to bounce back in such a way that workers' salaries went back up to $70,000 and employees were repaid their lost wages (CBS News, 2021).

By taking assertive and definitive actions that truly value the employee, a fiercely loyal workforce was created capable of saving a company from bankruptcy when needed.

Looking at the short- and long-term impact on the organization, what Table 3 does not include is the reason for such results: bigger paychecks led to fiercely loyal employees that are staying twice as long, which led to employees' knowledge on how to help customers skyrocketing, which contributed to higher returns. A livable wage also considerably improved employee's emotional well-being and reduced the stress of making enough money to cover the basics, which allowed workers to focus on their work and increased overall employee productivity.

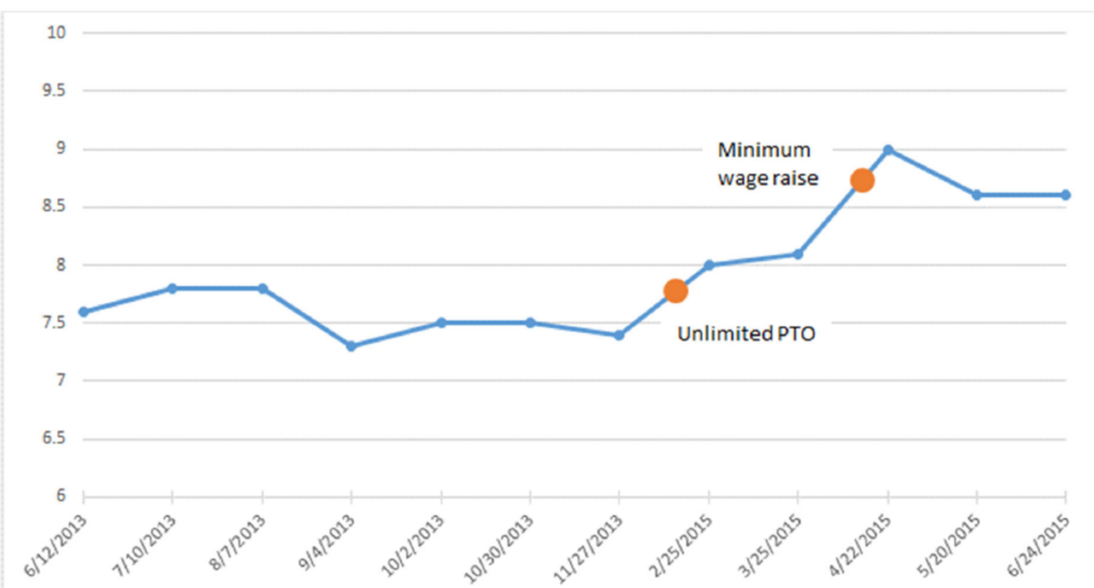
Employee Impact

> There is a sense of pride someone feels when they're making a living wage, and that their voice matters, which is good for productivity. Our employee turnover was also cut in half since we implemented our pay policy (Price via Fallert, 2021).

The one-question survey performed by Gravity Payments since 2013 inquiring on a scale of 1 to 10 'how happy is the employee at work' (Weiss et al., 2015) was able to capture the effect of the pay policy change on the workforce as illustrated on Figure 3.

Figure 3

Employee Impact from 2013 to 2015 as Compiled on Survey by Gravity Payments



Note: Figure obtained from Harvard Business School case study *The $70K CEO at Gravity Payments* (Weiss et al., 2015)

A compilation was put together regarding the positive impact of the salary increase on the employees throughout the years:

- more people are attending optional team meetings (Weiss et al., 2015);
- employees had a ten-fold boom in homes bought (CBS News, 2021; Fallert, 2021)
- 70% of employees paid down debt, e.g. student loans (Weiss et al., 2015; CBS News, 2021; Fallert, 2021);
- employees could pay off their car as well as afford their apartment (Weiss et al., 2015);
- their view towards the company changed as employees saw Gravity as a long-term career instead of just a stepping stone (Weiss et al., 2015);
- employees decided to have kids due to finding themselves in a better financial situation (Weiss et al., 2015);
- 401(k) contributions grew 155% among workers (CBS News, 2021; Fallert, 2021); and
- employee productivity increased by showing 76% employees are engaged at work, twice the national average (Price, 2020; Fallert, 2021).

Companies Applying Dan Price's Method

Therefore, Dan Price's method did not only successfully increase employee productivity, but was able to cut turnover rate in half, thus becoming a viable solution to this study's problem as observed in the call center services industries. Nonetheless, big companies refuse to follow suit even after Price has proven that it is possible for them to afford paying a higher minimum wage, "a living wage" (Price via Fallert, 2021), and proven it increases productivity. Thus far, only a small number of companies have taken note of Price's actions and applied it to their own business.

For instance, CEO of Pharmalogics Recruiting, Megan Driscoll, was inspired by Price's pay policy and decided to bump the starting base pay of her employees by 33 percent (Wheeler, 2018). As a result, employee base increased from 46 employees and $6.7 million revenue in 2016 to 72 employees and $15 million revenue in 2018; metrics showed employees are working harder; there was a 32 percent increase in the qualified candidates generated by recruiters for clients; and the company's retention rate increased from 40 to 84 percent (Wheeler, 2018).

In addition, CEO of Tower Paddleboards, Stephen Aarstol, experimented with alternative compensation forms to increase productivity since it felt it could not finance a salary increase. Instead, Aarstol decided to reduce his employees' work day from eight hours to five, seeing as a result a sharp increase in employee focus and engagement which skyrocketed the business as well (Wheeler, 2018).

Acknowledging how big companies refuse to apply the method during an interview with Radio New Zealand (2021), Price notes how productivity is hurt as a whole by a system that disproportionately takes money from everyone that's working and gives it to CEOs and corporate executives, as evidenced by the Economic Policy Institute report regarding the concerning surge in CEO compensation (2020).

The question then becomes, if there is a method proven to reduce high employee turnover and, consequently, increase productivity and revenues as a result, why are big companies not adopting these measures that have a beneficial impact for both the organization as well as the workforce? Price offers an answer to this question via Newsweek interview (2021):

> […] unfortunately, by showing that it works, it's clear the larger companies won't do it voluntarily even if they know it can work. Those companies are giving their workers an ever-shrinking share of the pie and making it more and more difficult to reach the American Dream (Fallert, 2021).

Invest in People

After successfully compiling all of the detrimental factors contributing to high employee turnover; the extent it affects the employee; all the conceptual, impractical recommendations in the literature that have yielded no significant results in solving the problem; and the empty actions taken by XYZ company made in the interest of the shareholders rather than their employees' well-being; it becomes evident how imperative it is for the call center services industry to take definitive action and begin to invest in people.

If there was ever a time for organizations to invest in their employees' emotional well-being by providing them a living wage, it's now during the 'Great Resignation'—a term used to describe the budding labor market as coined by Anthony Klotz, associate professor of management at Texas A&M (Vesoulis, 2021). The employees' personal and professional reassessment brought upon the pandemic has not only caused the highest voluntary turnover rate in the U.S. in the last twenty years, but has also caused thousands of workers in several industries nationwide to either threaten, or actually go on strike in an effort "to secure higher pay and better working conditions" (Evers-Hillstrom, 2021). As Nick Bunker notes, economic research director for North America at the Indeed Hiring Lab, it's a workers' market: workers have more bargaining power due to the ratio of job openings (Vesoulis, 2021). In other words, employees no longer have to stay in a place where they feel undervalued, underpaid, or experience a damaging effect on their mental health.

In the desperate chase of performance metrics and profits, companies forget how the accomplishment of said goals would not be possible without the workers. The value of the organization lies in its people, hence why providing a living wage should be “a moral imperative, not a business strategy” (Keegan, 2015).

The socioeconomic inequality and outrageous salary disparity between CEO and workforce is an illness currently corroding big companies nationwide as it negatively affects and consumes employees’ life evaluation and overall emotional well-being. As noted by the HBS case study into Gravity Payments, Price’s method is consistent with other academic studies that positively link employee happiness with metrics such as “job satisfaction, supervisor evaluations, ratings of customer service quality, organizational citizenship, employee retention, and even salary” (Weiss et al., 2015). Simply put, the research, the method itself, and the results proven it works are all there: data speaks for itself. The evidence is there for an illness that has long been diagnosed. Its time organizations invest in the cure: invest in people.

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