Customer service workers and managers working in outsourced call centres earn significantly less than their in-house counterparts – but organisations may pay hidden costs in higher turnover and absenteeism.

Dr Yoshio Yanadori from the School of Management’s Centre for Human Resource Management has been studying compensation management in call centres in collaboration with Dr Danielle van Jaarsveld from the University of British Columbia (Canada).

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Research on outsourcing traditionally focuses on global outsourcing decisions, in which organisations in developed countries send their service work to low-wage countries (e.g., India). In contrast, Drs Yanadori and van Jaarsveld compared service work that was performed in outsourced and in-house call centres operating within Canada. Canada experienced a boom in call centres during the 1990s as a result of efforts to attract customer service work from other countries, making it an ideal location to study the two types of call centres in the same national context.

Organisations usually outsource work in an effort to save money, and the research team wanted to see if outsourced call centres were delivering the same quantity and quality of work at a lower cost compared with in-house call centres. The team surveyed more than 200 call centres in Canada about the pay and benefits they provide to employees.

The researchers found that there were significant pay disparities between outsourced and in-house call centres. ‘Customer service workers in outsourced call centres were only paid 91 percent of what customer service workers in in-house call centres were paid,’ Dr Yanadori reported. ‘Outsourced and in-house call centres offered employees the same benefits, but customer service representatives in outsourced call centres took home less cash.’

‘These lower salaries represent significant savings for outsourced call centres,’ Dr Yanadori said. ‘Outsourced call centres can hire customer service representatives and managers with less skill and experience – and pass those savings on to their clients.’

However, there are downsides associated with outsourced call centres’ lower wages. Outsourced call centres experience higher turnover and absenteeism. ‘In-house call centre managers can use higher salaries to motivate and retain high-performing service representatives,’ Dr Yanadori elaborated. ‘But these carrots are not available in outsourced call centres. The lower the pay, the more likely it is that a customer service representative can find a better paying opportunity somewhere else.’

In the long run, lower salaries can hurt workplace performance. ‘Customer service representatives need to process customers’ requests efficiently with a minimum of talk time. Customers who are left on hold too long will abandon the call before they even talk to the rep,’ Dr Yanadori explained. ‘We found that there was an association between salary and performance outcomes. The higher the pay at a call centre, the better reps were at keeping their talk times and call abandonment rates low.’

‘Outsourced and in-house call centres offered employees the same benefits, but customer service representatives in outsourced call centres took home less cash.’

One finding that surprised the researchers was that customer service representatives’ salary was negatively associated with training opportunities – the lower the pay, the more days of training customer service representatives received. ‘When salaries are low, managers may need to offer more training to get low-skill representatives up to speed,’ Dr Yanadori suggested.

Dr Yanadori highlights the value of these results in helping organisations decide whether to outsource customer service work. ‘A critical factor is how much specialised knowledge service representatives need to handle customers’ calls,’ he emphasised. ‘If customers’ questions are relatively simple, it makes sense to outsource the work and offer lower wages. But if customer questions are complex, the cost savings offered by lower wages may be completely offset by the need for higher training and customer dissatisfaction.’

The research team published their findings in the *British Journal of Industrial Relations* (2011, Vol. 49, Issue S1).

If you would like to learn more about the project and its results, contact Dr Yoshio Yanadori (yoshio.yanadori@unisa.edu.au).
What is the Centre for Human Resource Management?

The Centre for Human Resource Management (CHRM) was established in 2008 and is housed in the School of Management on UniSA’s City West campus.

CHRM brings together researchers with expertise in human resource management (HRM) to address major HRM-related challenges in the South Australian and international contexts. CHRM’s primary objective is increasing the quality, quantity and impact of research in HRM and developing academic-industry collaborations.

What’s new at CHRM?

CHRM welcomes Ms Belinda Harding (Elders) to its Advisory Group. The Advisory Group acts as a sounding board and provides guidance for CHRM’s research activities.

We are pleased to announce the launch of the CHRM Insights Annual Lecture (see the right hand column of this page for details). Each year, CHRM will host a lecture on a topic reflecting contemporary challenges in the local, national and international contexts that have implications for effective people management in organisations. The annual lecture is designed to provide the South Australian public an opportunity to engage with leading academic, industry and political figures.

We hope you enjoy reading the CHRM newsletter.

You can learn more about CHRM, its people and its activities at our website www.unisa.edu.au/chrm.

Professor Carol T. Kulik
Director, CHRM

CHRM Insights Annual Lecture:
Stimulating individual and team creativity

Seminar by Professor Christina E. Shalley (Thomas R. Williams-Wachovia Professor and GT ADVANCE Professor, College of Management, Georgia Institute of Technology, USA)

Thursday 21 June 2012, 6.00pm
Bradley Forum, UniSA City West campus

Creativity can be demonstrated in any job and at any level of an organisation, but how can organisations nurture their employees’ creative potential? Drawing on cutting edge research, Professor Shalley will explain how individuals can develop their creative thinking skills and how organisations can manage the work context to harness the creative potential of their employees.

If you would like further information about the Insights Lecture, contact Tina Morganella (tina.morganella@unisa.edu.au).

CHRM-ASHRR forums

The Australian Senior Human Resources Roundtable (ASHRR) is a network of senior HR executives whose aim is to facilitate a more effective dialogue between HR practice and research. The CHRM-ASHRR partnership sponsors twice-yearly forums in which local senior HR practitioners and HR academics meet to discuss emerging HR issues.

The 21 March forum will address the theory and practice of the new world of pay. Presenters include Dr Yoshio Yanadori (School of Management, UniSA) and Ms Andrea Watts (State Sales HR Manager (SA), Coca-Cola Amatil).

If your organisation would like more information about the 2012 CHRM-ASHRR forums, contact Tina Morganella (tina.morganella@unisa.edu.au).

CHRM seminars

The CHRM Practitioner Seminars showcase industry best practice exemplars and forge links between practitioners and the CHRM community.

23 March 2012 Ms Erin McCarthy (Piper Alderman) will describe the main mistakes that organisations make in managing parental leave and return to work obligations.

25 May 2012 Ms Glynis Rosser (Wallmans Lawyers) and Ms Jenni Osborn (William Buck) will discuss the complicated world of people management in law and accounting firms.

Please visit our website for full details and updates www.unisa.edu.au/chrm.
How to ‘friend’ social media

LinkedIn, Facebook, Twitter…smart employers are beginning to recognise the benefits – and the risks – of social media.

Electronic forums give employees a powerful voice, enabling them to act as brand ambassadors, troubleshooters and business networkers. Employees use their voice for the good of the company, identifying new customers and connecting with current customers in new ways. But voice can take on a negative tone when employees badmouth the company or its customers, harass co-workers, or disclose confidential information.

The big challenge for HR lies in harnessing employees’ social media voice so that it benefits business and satisfies employee needs for social networking. Draconian bans on social media don’t work; they just alienate today’s digital natives. Handing down a social media policy from on high doesn’t work either. The Commonwealth Bank recently learned that management-driven policies can attract union criticism and negative press.

The emerging smart path in managing employee social media voice is a two-step process. First, engage employees in the early stages of policy development. Second, train employees to understand and practice the behavioural expectations outlined in the policy.

Is your company ‘friending’ social media? Do you have an employee-approved social media policy and related training in place?

If you are interested in learning more about the social media challenge, contact Dr Christina Scott-Young (christina.scott-young@unisa.edu.au).

What CHRM is working on

Multinational enterprises in an international context

Multinational enterprises (MNEs) provide employment to 77 million people globally and account for one third of total trade. These employers wield considerable power and can disproportionately influence the direction of change in HRM practices. MNEs act as conduits, diffusing innovative, leading edge HRM practices – or repressive, employee-hostile practices – across the countries in which they operate.

Dr Anthony McDonnell (School of Management) and colleagues at four Australian and four international universities (in Canada, Denmark, Ireland, and the UK) are working on a two-year ARC-funded project to understand how MNEs shape employment practices in different host contexts.

The study uses survey data gathered from more than 1,000 MNEs across nine countries. The project examines the autonomy MNEs give to local managers to develop subsidiary-specific HRM practices. Consequently, a key focus will be analysing the extent to which managerial autonomy and HRM practice differ across countries.

The research will document the extent to which MNEs are pursuing global HRM agendas – implementing the same HRM practices across host contexts. A ‘one size fits all’ strategy has the potential to seriously disrupt national employment systems when an MNE implements HRM practices that go ‘against the grain’ of the local context.

A report detailing the Australian findings is available at www.unisa.edu.au/chrm/projects/intrepid.

If you would like to learn more about this project, contact Dr Anthony McDonnell (anthony.mcdonnell@unisa.edu.au).

Would you like to receive future copies of our newsletter and updates on CHRM’s activities? Please join our mailing list by emailing tina.morganella@unisa.edu.au.