A Data-Driven Strategy for Managing Contact Center Labor Costs and Optimizing Employee Retention

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Among the best ways to control rising labor costs in contact centers include automating responses via Ai, RPA, Chat, IVR, etc. Also, reducing attrition rates is huge. One method for reducing labor costs while IMPROVING performance that most contact center leaders haven't considered or haven't put into practice is optimizing hourly pay rates based on agent performance (Pay-For-Performance).

Due to labor shortages, inflation and increasing competition, every contact center either has, or is going to, increase compensation rates for your agents and supervisors. Most will simply give an across-the-board increase (e.g, raising agents rates from $10.00 to $14.00 per hour). This is the WRONG way to implement pay increases. This way assumes everyone deserves the exact same increase, which we all know isn't the case.

The best way is to use a Pay-For-Performance model which pays the best performers more, when they perform the best, and the lower performers less (when they perform the worst). The process is to go ahead and increase everyone's hourly rate, but only at around 50% of what you'd increase it by in the across-the-board model.

For example, instead of increasing hourly rates from $10.00 to $14.00 to maintain the ability to attract and retain quality agents, increase the base rate from $10.00 to $12.00 while implementing a "balanced scorecard" and paying your top agents $16.00, your middle tier agents $14.00 and lowest performers make the base of $12.00. You'll be able to attract better agents with the higher upside. You save $2.00/hour on low performers while they're not meeting basic requirements (e.g, attendance, utilization, quality, etc.). Eventually, these poor performers will either improve, or self-terminate (quit) and become someone else's problem. On the upside, you'll keep more of your top performers because you're paying them more than you would if you just increase everyone's base rate to the same hourly rate. It's the smart, fair, effective, cost-effective way to pay contact center agents.

TouchPoint One's ACUITY system provides balanced scorecards as well as a pay-for-performance feature that allows companies to provide agents with balanced scores based on any KPI's you choose and links their scores to payroll systems. This way, every pay period, you're paying your best performing agents a rate HIGHER than the market. Your average agents get paid around the market and your lower performance less. That's fair. Everyone has a chance each pay period to give themselves a raise to the highest pay rates. Pay-For-Performance is a GREAT way to combat rising labor rates and win the competition for the best available talent![1]