

# Compensation Practices in Financial Services Contact Centers

## Background<sup>1</sup>

Sales and service contact centers are growing in number and importance to company operations in the financial services industry. In order to attract and retain a talented workforce, contact centers face the continued challenge of developing effective compensation for representatives. LIMRA International recently completed a survey on pay practices in this business sector. Participants included 40 centers from 33 companies, of which 58 percent were sales centers and 42 percent were service centers.<sup>2</sup>

## Products Supported

The products supported were generally insurance-related, including life and health insurance, property-casualty insurance, and annuities. Other products, however, included retirement, investment, and banking products.

## Base Salary

LIMRA examined base salary in two ways: by sales and service functions, and by amount of work responsibility. Work responsibilities were classified into three levels:

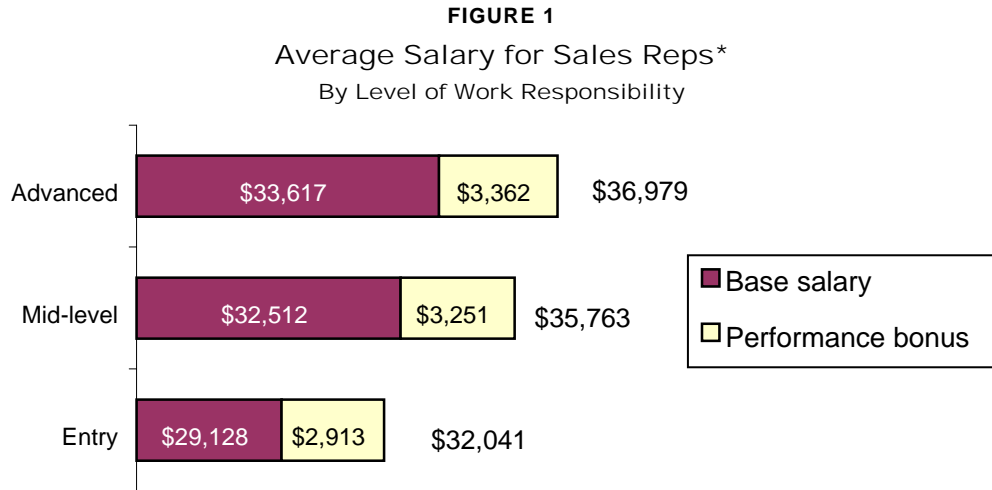
- **Entry-level reps** performed basic communication and fulfillment activities, and their responsibilities focused on simpler products and services.
- **Mid-level reps** performed the range of center activities, except for advanced tasks.
- **Advanced reps** performed general communication activities but also performed tasks such as training new reps, handling complex or escalated calls, and conducting elementary employee supervision.

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<sup>1</sup>This article provides highlights of a detailed compensation study, *2001 Survey of Contact Center Representatives: Job Characteristics and Compensation Practices*, conducted by LIMRA International. The 2001 study provides detailed information on definitions, nature of jobs, work activities, and compensation practices.

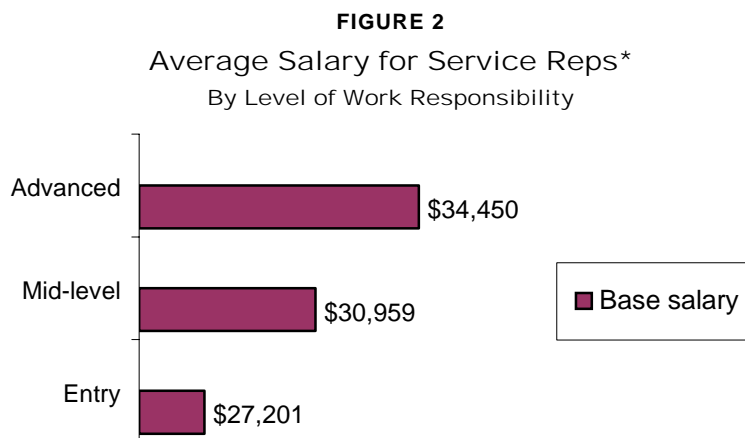
<sup>2</sup>Sales centers were housed in larger centers with multiple functions.

In comparing the sales and service base compensation, entry-level pay was higher for sales reps by almost \$2,000. Under these circumstances, sales positions were more monetarily attractive as a first employment step, but pay differences between sales and service generally disappeared with increasing work responsibilities. Thus, over a long-term employment relationship, sales and service positions would appear equally attractive in pay. Figures 1 and 2 depict average base salaries. Note that extreme, unrepresentative salaries or outliers were removed in computing the average to avoid skewing the meaning of the “average” salary. Below each graph are the minimum and maximum salaries identified in the survey.



\*Outliers removed

The salary ranges depicted in Figure 1 are \$22,627 – \$68,000 for entry-level reps, \$23,639 – \$79,900 for mid-level reps, and \$24,661 – \$99,400 for advanced reps.



\*Outliers removed. Note: No performance bonus.

The salary ranges depicted in Figure 2 are \$19,700 – \$53,000 for entry-level reps, \$21,700 – \$59,100 for mid-level reps, and \$23,892 – \$72,200 for advanced reps.

## Incentive Pay

While contact center reps are typically paid on an hourly or salaried basis, a number of companies have utilized individual performance-based pay or bonuses as incentives to boost productivity.

### *Service Reps*

Typically, service centers in any industry do not leverage performance bonuses to motivate agent behavior. The reason is due, in part, to difficulty in measuring service “productivity” from which to make pay contingent. Second, and perhaps more important, speed in servicing customers is not necessarily good. Quality is a highly valued aspect of service and zealous speed can diminish good customer service. The balance between quantity and quality does not favor implementation of a bonus pay system.

Interestingly, in this survey, a small percentage of service centers responded they used bonus pay as part of the compensation package. However, upon close inspection, these companies did not use individual-based performance bonuses; rather, they relied on pooled or companywide bonuses such as profit sharing. These bonuses were not contingent on individual productivity. In such cases, a companywide bonus has limited or marginal influence on the speed or quality of service that any one individual offers.

### *Sales Reps*

Incentive pay is a common compensation practice in sales settings. What varies is the amount of bonus as a percentage of base salary. In the survey, 80 percent of the sales centers used incentive pay for sales, suggesting a widespread compensation practice with this position. With this group, bonuses amount ranged from 0 to 70 percent of base pay, with a median value of 10 percent. Research from a 1998 LIMRA compensation study of sales centers found a bonus value that averaged 7 percent of base pay.<sup>3</sup> The increase to a 10 percent bonus level in this survey was an important finding (Table 1). As noted in the 1998 study, general compensation theory suggests that a bonus should be 10 percent or more of base pay in order to be motivating and effective. A bonus level less than 10 percent does not increase productivity and would be ineffective for improving contact center performance.

**TABLE 1**  
Performance Bonus as Percent of Base Salary

<b>Year</b>	<b>Bonus level</b>
1998	7%
2001	10%

Since the present study found sales settings, on average, to meet this important incentive level, one would expect these programs to be more valuable to the organization than bonus programs in the 1998 study.

<sup>3</sup>*Salaried Telephone Representatives' Compensation for Life and Annuity Sales*, LIMRA International, 1998.

As reported previously, base pay was very similar for sales and service reps over long-term employment, making the two positions basically equal in compensation. However, incentive bonuses were “the great unequalizer.” That is, use of incentive pay created a noticeable overall pay difference between the two positions. This in turn could make a sales position more desirable in monetary terms.

## **Conclusion**

As contact centers continue to grow and become integral to companies’ sales and service success in the financial services industry, the issue of competitive compensation for reps will come under increasing scrutiny in business operations and budgeting. This LIMRA study raises questions about the relative attractiveness of base pay for sales versus service settings.

That is, the study found that, although sales jobs paid higher at the entry level, the differences diminished over time, such that base pay eventually was comparable between the two types of contact center jobs. If money is an issue in attracting and retaining talented individuals, this parity offers no advantage to one group or the other. However, base pay does not necessarily play into compensation practices within financial services contact centers. In this study, the performance bonus as a prevalent pay plan for sales reps changed the compensation parity between sales and service reps. The performance pay served to meaningfully increase the average pay for sales reps.

Finally, an important finding in this survey (compared to a previous compensation survey conducted by LIMRA) was that the level of performance-based compensation rose to a median value of 10 percent. This level functions to assist in sales productivity. Past findings were not at this motivating level.

If service centers wish to compete with sales centers in terms of compensation, they need to consider raising their base pay to compete with the addition of incentive pay for sales positions. Further, monitoring compensation practices by both service and sales organizations will be required to assist in attraction, motivation, and retention of high-performing contact center reps.

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