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### ABSTRACT

Shared Services and Business Process Outsourcing (BPO) rely heavily on human capital for their success. This industry has recently been forced to employ workforce reduction measures to offset the economic consequences of the pandemic and keep businesses afloat. This study attempts to answer questions about how such reductive actions affect human capital. Specifically, it explores how workforce reduction measures impact the motivation, performance, and retention levels of BPO employees in the Philippines, and whether organizational communication plays a part in moderating the effects of such measures on employee performance. Four hundred thirty-seven respondents, mostly from business districts in Metro Manila, participated in this study through an adapted online questionnaire. Descriptive statistics and structural equation modeling were used to test the hypotheses. Findings show that workforce reduction measures, while implemented to a moderate extent, had resulted in lower employee motivation. Additionally, higher motivation led to higher performance and higher retention. Organizational communication has also been found to effectively moderate the effects of reduction measures on employee motivation. The research findings can help firms improve their human resource strategies to keep employees motivated, high-performing, and loyal.

Keywords: Crisis-driven reduction measures, shared services, BPO, motivation, performance, retention.

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# **1. INTRODUCTION**

Shifts in global economic drivers lead to the evolution of business strategies, with organizations employing alternative models to improve their operations while minimizing costs. An innovative approach recently gaining prominence is the Shared Services model, which drives cost savings, cash flow improvements, and productivity gains through process simplifications (Costa et al., 2020; Shahar et al., 2019).

For BPO companies, human capital is an indispensable resource as their success depends largely on employee performance (Alexander, 2020; Singh, 2019). BPO employees have a business-partner relationship with other units instead of the traditional departmental relationship.



Still, although the people factor is the most important element that defines BPO's success, it is also the most elusive. Despite noticeable growth in the industry, BPO firms are still plagued by high attrition rates, especially during the pandemic (Angoluan & Caballero, 2019; De Ocampo & Aguiling, 2018; Khawaja et al., 2021; Negros, 2022). Employers struggle to find and retain the right people, translating into higher recruitment and training costs.

As if this challenge were not enough, a major crisis unexpectedly hit the world in the form of COVID-19. Any step made to better understand employee turnover and find ways to improve employee engagement and retention had to be retraced as the global business landscape was again forced to change and adapt (Kumar, 2021; Van Egdom et al., 2021).

There are many ways employees are affected by economic crises, with the impacts often manifesting in terms of health. When these impacts pile up, employees' motivation levels slump. Employees lose their drive to do well at work, causing a decline in performance. Demotivation at its worst can lead to attrition, which can in turn result in organization-wide employee retention issues (Khawaja et al., 2021; Kumar, 2021; Mishra et al., 2020; Narciso & Guhao Jr., 2020).

In contrast, when employees are psychologically empowered, they engage better at work and display lower risks of psychological withdrawal. A good employer-employee relationship also reflects similar positive results (Aggarwal et al., 2020; Antony, 2018; Ballaret et al., 2022; De Ocampo & Aguiling, 2018; Mishra et al., 2020; Priatna & Anggraeni, 2022; Van Egdom et al., 2021; Vaughan, 2018).

This study seeks to understand how BPO employees perceive the impact of workforce reduction measures on their motivation level, performance, and retention. Additionally, it explores the role that organizational communication plays to regulate that perception. Data is collected from selected cities in Metro Manila with the greatest number of BPO companies. This limitation makes the study unrepresentative of the whole BPO industry and its population.

This study is significant as it provides an in-depth analysis of how workforce reduction measures implemented during a health and economic crisis can impact organizations. Human resource personnel can obtain insights from this study about optimizing employee engagement and retention programs. Likewise, company leaders can use this as a guide on how to manage finances and handle business challenges during a crisis without compromising the welfare of employees.

# 2. THEORETICAL BACKGROUND

This study is anchored in three theories, namely, Adams' Equity Theory (Adams, 1963), the Expectancy Theory (Vroom, 1961), and Herzberg's Two-Factor Theory (Herzberg, 1959). According to Adams' Equity Theory, employees match their work effort with the rewards they get and vice versa. The theory posits that equilibrium between employee input (e.g., education, experience, and efforts) and employee output (e.g., salary increase, promotion, and recognition) is important for employees to stay motivated at work. Employees who observe a balance between their work input and output are more motivated than those who observe an imbalance. Moreover, those who perceive their input to be greater than the output they receive are more prone to demotivation.

The Expectancy Theory proposes that individuals' behaviors and actions are based on certain expectations (Vroom, 1964). Specifically, it binds effort, performance, and outcome

together. This means that the more effort employees put into a task, the better they believe their performance will be. Better performance in turn constitutes a better reward. This theory further asserts that the higher the interest in the reward, the more determined the employee becomes to achieve the desired outcome. In a business context, this theory claims that employees accept work with a certain set of expectations, which, depending on whether they are met or not, can influence their decision to stay with or leave a company.

Finally, Herzberg's Two-Factor Theory, otherwise known as the motivation-hygiene theory, claims that there are two independent sets of workplace factors that generate feelings of job satisfaction or dissatisfaction. It explores the effect of employee attitude on motivation. It presupposes that removing causes of job dissatisfaction does not necessarily lead to satisfaction in the same way that adding factors that cause job satisfaction does not eliminate dissatisfaction. This theory provides the main underpinning of the framework, supported by Adam's Equity Theory and Vroom's Expectancy Theory.

# **3. LITERATURE REVIEW**

### Workforce Reduction Measures

Workforce reduction measures in the context of this study refer to pay and benefit cuts, retrenchment, reorganization, hiring freezes, and other similar company actions that devalue the outcomes received by employees.

The recent COVID-19 pandemic has caused many economic repercussions leading to job insecurity for many employees (Degirmenci, 2022; El Khawli et al., 2022; Kumar, 2021; Van Egdom et al., 2021; Wilson et al., 2020). As macroeconomic context inevitably influences business decisions, strategic measures have been implemented by employers based on their immediate effectiveness in ensuring an organization's survival (Chaus, 2020; Vo-Thanh, 2020). Still, whether such decisions present reverberating consequences down the line is a consideration that is often overlooked.

This is true for workforce reduction measures, which, when carelessly implemented, can hurt a business in the long run. For instance, when the pandemic broke out, fear of job loss led to lower levels of motivation and engagement (Kumar, 2021). Other negative pandemic-related employment changes like income reductions and job insecurity also caused psychological distress for employees, which negatively affected their motivation (Matthews et al., 2021; Wilson et al.; 2020). The impact of workforce reduction measures on employees' motivation may result in a ripple effect of negative ramifications for an organization.

# H1: Crisis-driven workforce reduction measures affect employee motivation.

# **Employee Motivation**

Employee motivation refers to the level of commitment, engagement, and passion that employees pour into their work (Inc., n.d.). Employee motivation is closely tied to employee engagement, which is an important element of human capital strategies and is a differentiator that sets an organization apart during critical economic times (Bautista & Uy, 2023). Engaged employees have high levels of motivation, which make them good brand ambassadors and great assets to help with bottom-line improvement (Johnson & Johnson, 2021).

In the same way that motivated employees benefit a business, demotivated employees present drawbacks and liabilities that can cost an organization (Malik et al., 2019; Ong et al., 2019). That is why it is important for employers to keep their employees motivated by revisiting their employee engagement strategies (Kumar, 2021). Organizations that can keep

their employees engaged tend to have higher productivity levels, lower employee turnover and attrition rates, fewer cases of absenteeism, and better employee loyalty (Antony, 2018).

### **Employee Performance**

Employee performance measures a worker's effectiveness based on workplace behaviors and work quality (Donohoe, 2019). Workforce reduction measures can lead to a gradual deterioration in employee performance—i.e., work quality and productivity. They impact the company's sustainability and long-term competitiveness as they are innately against employees' interests (Rico & Puig, 2021). Moreover, such measures can create heightened workplace anxiety, affecting the morale, motivation, and psychological well-being of employees (Matthews et al., 2021; Wilson et al.; 2020). This can lead to withdrawal behaviors that manifest in more tangible actions like frequent tardiness, absence, and, eventually, turnover (Khawaja et al., 2021).

With such high stakes at play, HR leaders need to recognize the importance of retaining great talent and prioritizing employee motivation in their programs. Business strategies and HR policies must be framed in a way that also considers the interests and overall well-being of employees (Yadav & Joshiya, 2021). Ensuring employee motivation is not a one-time deal but a long-term investment that must be integrated into a company's culture. Employers find ways to proactively engage and motivate their employees to reap the benefits of their organization's improved performance. After all, there exists a positive and significant relationship between employee motivation and job performance (Kuswati, 2020; Pham et al., 2023).

H2: Employee motivation affected by crisis-driven workforce reduction measures has a significant impact on employee performance.

#### **Employee Retention**

Retention is the process in which an organization implements various measures to encourage its employees to remain with it for a longer time and to keep them from abandoning their work in search of more profitable and rewarding employment avenues (Singh, 2019).

Motivation is important in determining retention among employees, which in turn is a primary factor in measuring an organization's overall health. Job satisfaction among employees is critical to the growth of an organization. When employees are demotivated, their engagement levels drop, thereby increasing their likelihood to leave their jobs (Mishra et al., 2020).

To improve employee motivation, HR personnel must employ retention strategies that promote job security, work-life integration, and work flexibility (Ballaret et al., 2022; De Ocampo & Aguiling, 2018). Comprehensive policy interventions must also be made to improve the mental health of employees and empower them to develop good interpersonal relationships with their peers and leaders (Aggarwal et al., 2020; Matthews et al., 2021). Furthermore, when faced with a crisis like the COVID-19 pandemic, employers must prioritize reducing job insecurity and financial concerns among employees (Wilson et al., 2020).

One good driver of motivation is positive reinforcement. Reward systems must meet employee expectations as they play a big part in workers' decisions to stay with a company or find employment elsewhere. Incentives may include job autonomy, career development, skills upgrade, training opportunities, good compensation, bonuses, promotions, and recognition (Ballaret et al., 2022; De Ocampo & Aguiling, 2018). H3: Employee motivation affected by crisis-driven workforce reduction measures has a significant impact on employee retention.

#### **Organizational Communication**

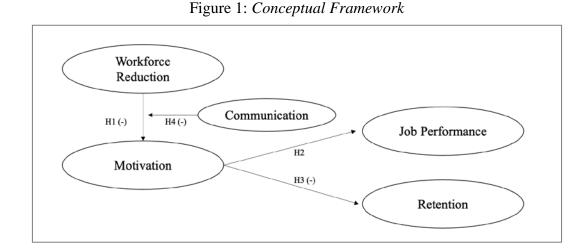
Organizational communication refers to a business entity's organized structure of exchanging messages with employees. It is considered the lifeblood of good collaboration and the foundation of modern organizations. Organizational communication, mostly done internally, is a social dialogue tool that can promote common goal-building and pave the way for the effective flow of information within an organization (Erlangga et al., 2020).

Employers can manage the negative impacts of economic crises on employee motivation through effective organizational communication, which can help temper blame attribution. Company culture also influences the way employees respond to workforce reductions. With proper management and employer support, employees experience higher job satisfaction, causing them to respond positively during times of crisis (Aban et al., 2019; Songcog & Guhao, Jr., 2020).

Employers can do many things to ease the burden of employees during a crisis, including providing moral support, ensuring the availability of financial facilities, listening to employees' concerns, and welcoming their suggestions on how to make work less stressful and more manageable (Degirmenci, 2022; Kumar, 2021). Supervisor support can also reduce employee job insecurity despite implementing cost-cutting measures (Van Egdom et al., 2021). Moreover, employees with a good relationship with their employer reportedly experience psychological empowerment, which leads to higher engagement and a lower tendency to show withdrawal behaviors at work (Aggarwal et al., 2020).

A positive organizational culture with a strong communication framework is indispensable in situations affected by external factors such as health crises and periods of financial uncertainties (Pungan, 2019). Moreover, acts of empowerment can increase the likelihood of employees becoming positive ambassadors during a corporate crisis and can reduce their intentions of casting the company in a negative light (Mazzei et al., 2019).

*H4: Effective organizational communication can lessen the negative impacts of workforce reduction measures on employee motivation* 



### 4. CONCEPTUAL FRAMEWORK

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The conceptual framework shows that workforce reduction measures can have an impact on employee motivation, which can, in turn, affect job performance and retention. Organizational communication is also measured as a moderating variable that affects employees' perception of the impacts of workforce reduction measures.

### 5. METHODS

### **Research Design**

This study used a descriptive-correlational research design. Descriptive statistics described the age, job profile, work arrangement, work location, professional experience, and income bracket of the employees. It was also used to describe the different variables used in the study and their indicators. The correlational design described the effects of crisis-driven reduction measures on employees' motivation, performance, and retention. It was also used to determine if effective communication strategies employed by management can moderate the effect of crisis-related workforce reduction measures on employees' motivation, performance, and retention.

### Subject and Study Site

A purposive random sampling method was used to select the respondents, composed of employees from various BPO companies in Metro Manila, specifically in cities with the densest population of BPO employers and employees. Respondents were a random mix of employees of different roles and tenures, including leaders, managers, and HR members.

To identify the right sample size for the study, an online calculator called Raosoft was used. Based on the calculation, a total sample size of 385 was derived, given a 95% percent confidence level and 50% response distribution.

The demographic profile of 437 respondents from various BPO companies shows that 60% are female; the majority are of married civil status, 62% are aged 21 to 30, with Bachelor's degrees, and sit on the less than 25,000 Php income bracket. Fifty-seven percent come from large enterprises. Of these, the majority are full-time employees with 3 years and less total professional experience in BPOs.

### **Research Instrument**

Adapted questionnaires were used to identify the correlation among the different factors, including employees' demographic profile, their COVID-19 emotional and financial situation, their workforce reduction experiences during the pandemic, their level of motivation and job performance at work, their inclination to stay with their current employer, and their perception of the effectiveness of their company's communication measures. Permission from authors was sought to adapt the questionnaire.

Part 1 is on the demographic profile of the respondents. The 15 items in Part 2, is on the general impact of COVID-19 on employees, devised to identify the respondents' emotional and financial states during the pandemic. Part 3, on the impact of workforce reduction measures on employees, includes two questions that have five (5) and twenty-one (21) items, respectively. All items are designed to determine the participants' encounters with and opinions on various workforce reduction measures implemented by their employers during the COVID-19 pandemic. The 28 items on employee motivation in Part 4 was devised to measure participants' level of motivation at work during the pandemic. The 23 items in Part 5, measure participants' job performance at work during the pandemic. The 37 items in Part 6, was developed to measure participants' level of inclination to stay with their current employer during the pandemic. Finally, the 21 items in Part 7 measures participants'

perception of the effectiveness of their company's communication measures during a crisis like COVID-19.

The questionnaire used a six-point Likert scale measuring the participants' level of agreement. The scale covers two extreme ends, with 1 corresponding to Strongly Disagree and 6 to Strongly Agree. The validity and effectiveness of the research instrument were established by subjecting it to a pilot testing procedure, which will ensure that all questions used to collect information from respondents are understandable, unambiguous, and representative of all possible answers. Cronbach's Alpha was used to measure the dependability and internal consistency of each group of questions.

### **Data Gathering Procedure**

The researcher sent out questionnaire-type surveys to BPO employees who work within the top business districts in Metro Manila, such as Makati, Manila, Taguig, Quezon City, Pasig, and Mandaluyong, where BPO companies are most ubiquitous.

The researcher provided sufficient time and direction to the respondents so that the latter could complete the questionnaires easily and accurately. All respondents were assured of the confidentiality of the information they shared. Once all questionnaires have been returned, the researcher consolidated all data for tallying and evaluation using statistical tools.

### **Data Analysis**

Data gathered were analyzed with a statistical treatment for proper interpretation. Specifically, respondent answers were interpreted using the following statistical tools: descriptive statistics using mean and standard deviation, and structural equation modeling to test the relationships among the variables.

Respondents' answers were interpreted using WarpPLS. WarpPLS can calculate p values, model fit and quality indices, estimates path coefficients, as well as model variables and provide moderating effects.

### **Ethical Considerations**

A consent form was included in the survey questionnaire indicating the purpose of the study and the affiliation of the proponents. Respondents were requested to acknowledge receiving the consent form before proceeding to answer questions and provided the option to withdraw participation by simply not responding to the questionnaire and informing the researcher. The responses to the questionnaire were coded to ensure anonymity. No researcher-respondent interaction was deployed while the respondents answered to avoid unnecessary influences and biases. The approval of the Graduate School Ethics Review Committee has also been sought prior to the study's publication.

# 6. **RESULTS**

# **Respondents' Perception of the Different Latent Variables and Indicators**

Table 1: Descriptive statistics of the different latent variables and indicators

		Mean	SD
	Workforce Reduction	3.793	1.044
WFR1	I believe that workforce reduction measures will ultimately benefit the employees of a company	3.277	1.497
WFR2	I feel stressed about my personal finances	4.227	1.393
WFR3	I feel constantly stressed because of the possibility of pay cuts, layoffs, etc., in my company	3.602	1.613

WFR       I believe that workforce reduction has a positive effect on employee       3.430       1.559         WFR6       I worry about being able to meet normal monthly living expenses       4.101       1.388         WFR6       I find myself just getting by financially and living paycheck to paycheck       4.121       1.439         Employce Motivation       4.861       0.865         EM1       I am enthusiastic about my job       4.664       1.152         EM3       I am proud of the work I do       4.947       1.025         EM4       I always persevere at work even when things are not going well       4.812       1.035         EM7       Diedieve that what I do forms a valuable contribution to the organization       4.961       1.010         EM7       Doing my work well gives ma a feeling of accomplishment       5.146       0.942         EP1       I find that my motivation level affects my performance at work       5.070       0.981         EP2       I ceal able to fulfill my tasks at full capacity       can       0.948         EP3       I can do more than what is expected of me       4.941       0.917         EP4       1 carb order than ga neergy to participate in cross-departmental work       4.712       1.232         EP6       I an confident that can perform many different tasks       9.292 <th></th> <th></th> <th></th> <th></th>				
WFR6       I find myself just getting by financially and living paycheck to paycheck       4.121       1.439         WFR6       I find myself just getting by financially and living paycheck to paycheck       4.861       0.865         EM1       I am enthusiastic about my job       4.861       0.865         EM2       My job inspirse me       4.604       1.152         EM3       I am proud of the work I do       4.947       1.025         EM4       I always persevere at work even when things are not going well       4.812       1.035         EM5       I feel that the work I do is important and of high value to society       4.874       1.027         EM6       I believe that what I do forms a valuable contribution to the organization       4.961       0.941         EM7       Doing my work well gives me a feeling of accomplishment       5.146       0.942         EP1       I find that my motivation level affects my performance at work       5.070       0.782         EP2       I feel able to fulfill my tasks at full capacity       can       0.948         EP3       I can do more than what is expected of me       4.941       0.941         EP4       I actively look for ways to improve my performance at work       5.017       0.932         EP5       I find myself having the energy to participate in cross-depa	WFR4	I believe that workforce reduction has a positive effect on employee	3.430	1.559
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OCS11I think my company shared the news of implementing workforce reduction measures in an effective and dignified manner4.4991.133	OCS10		4,419	1.142
OCSI1     measures in an effective and dignified manner     4.499     1.155				
measures in an effective and dignified manner	OCS11		4.499	1.133

Scale of 1 to 6

As shown in Table 1, workforce reduction measures implemented had caused a significant amount of stress levels for the respondents, mainly affecting their finances ( $\bar{x} = 4.227$ , SD = 1.393), meeting monthly living expenses ( $\bar{x} = 4.101$ , SD = 1.388), and ability to survive from paycheck to paycheck ( $\bar{x} = 4.121$ , SD = 1.439).

On employee motivation, the same table shows that employees who perceive to have higher levels of motivation give them a feeling of accomplishment and the ability to do their work well ( $\bar{x} = 5.146$ , SD = 0.942), believe that what they do contributes positively to the organization ( $\bar{x} = 4.961$ , SD = 1.010), and makes them proud of what they do ( $\bar{x} = 4.947$ , SD = 1.025).

Additionally, employees perceive their level of performance to be affected by their level of motivation ( $\bar{x} = 5.073$ , SD = 0.981), which then influences their ability to complete their tasks and achieve targets ( $\bar{x} = 5.098$ , SD = 0.907), proactively find ways to improve their performance ( $\bar{x} = 5.117$ , SD = 0.932) and perform well despite challenges and tough situations ( $\bar{x} = 5.000$ , SD = 0.909).

However, pay, and benefits are important factors that determine their motivation to stay or leave an organization ( $\bar{x} = 4.719$ , SD = 1.251), and changes in such measures are enough reasons for them to leave a company ( $\bar{x} = 4.183$ , SD = 1.493), or think about changing roles or their jobs, ( $\bar{x} = 3.892$ , SD = 1.499).

Finally, the respondents' perception of organizational communication system support shows employees' perception that fostering an inclusive working space where different views and perspectives are valued ( $\bar{x} = 4.785$ , SD = 1.02), being clear about the rationale of the changes ( $\bar{x} = 4.735$ , SD = 1.074), and clear communication influences employee morale during company organizational transformation such as restructuring practices ( $\bar{x} = 4.883$ , SD = 0.983).

#### **Respondents' Perception of the Different Workforce Reduction Measures**

	-		·	v					
Workforce reduction measure		1	2	3	4	5	6	Mean	SD
WFRM1 Pay		29.1	6.2	18.3	24.7	14.6	7.1	3.110	1.640
WFRM2	Benefits	20.8	8.5	21.5	20.8	18.1	10.3	3.378	1.625
WFRM3	Retrenchment	24.9	8.5	22.2	22.2	16.0	6.2	3.144	1.577
WFRM4 Reorganization		15.6	6.9	23.1	24.9	21.7	7.8	3.538	1.492
WFRM5 Hiring		19.9	11.0	20.4	26.3	16.2	6.2	3.265	1.520
WFRM								3.287	1.325

Table 2: Descriptive statistics of workforce reduction measures

Table 2 shows that the employees' perceptions of the workforce reduction measures range from 3.110 to 3.538. Thus, while there are several workforce reduction measures recognizably implemented within their organizations, the perceived extent of the effect is just to a moderate level.

#### **Measurement Model**

The acceptability of the measurement model was assessed using the following measures: the reliability of individual items, internal consistency between items, and the model's convergent and discriminant validity.

#### **Reliability and Convergent Validity**

Cronbach's alpha reliability coefficient was used to assess the internal consistency, while factor loading, composite reliability coefficient, and average variance were extracted to assess convergent validity.

	Loading	SE	p value	Composite reliability coefficients	Cronbach's alpha coefficient	Average Variances Extracted
	Workforce Reduc	ction Measures		0.858	0.799	0.511
WFR1	0.453	0.045	< 0.001			
WFR2	0.801	0.043	< 0.001			
WFR3	0.780	0.043	< 0.001			
WFR4	0.559	0.044	< 0.001			
WFR5	0.852	0.043	< 0.001			
WFR6	0.760	0.043	< 0.001			
	Employee Motiva			0.942	0.928	0.698
EM1	0.782	0.043	< 0.001			
EM2	0.814	0.043	< 0.001			
EM3	0.861	0.043	< 0.001			
EM4	0.801	0.043	< 0.001			
EM5	0.879	0.043	< 0.001			
EM6	0.867	0.043	< 0.001			
EM7	0.840	0.043	< 0.001			
	Employee Perform			0.941	0.927	0.669
EP1	0.610	0.044	< 0.001			
EP2	0.843	0.043	< 0.001			
EP3	0.852	0.043	< 0.001			
EP4	0.865	0.043	< 0.001			
EP5	0.763	0.043	< 0.001			
EP6	0.865	0.043	< 0.001			
EP7	0.850	0.043	< 0.001			
EP8	0.861	0.043	< 0.001			
554	Employee Retent		0.001	0.901	0.87	0.57
ER1	0.823	0.043	< 0.001			
ER2	0.788	0.043	< 0.001			
ER3	0.782	0.043	< 0.001			
ER4	0.598	0.044	< 0.001			
ER5	0.870	0.043	< 0.001			
ER6	0.756	0.043	< 0.001			
ER7	0.624	0.044	< 0.001	0.046	0.026	0.617
0.001	Organizational C			0.946	0.936	0.617
OCS1	0.611 0.670	0.044	<0.001 <0.001			
OCS2		0.044				
OCS3	0.778	0.043	< 0.001			
OCS4	0.825	0.043	<0.001			
OCS5	0.688	0.044	<0.001			
OCS6	0.840	0.043	< 0.001			
OCS7	0.785	0.043	<0.001			
OCS8	0.866	0.043	< 0.001			
OCS10	0.845	0.043	< 0.001			
OCS10	0.838	0.043	< 0.001			
OCS11	0.846	0.043	< 0.001			

Table 3: Factor loading, composite reliability, Cronbach's alpha coefficient, and average variance extracted from the latent variables

In Table 3, reliability results showed that Cronbach's alpha values of the different latent variables range from 0.799 (good) to 0.936 (excellent). Thus, the instruments are reliable, and the indicators have good internal consistency.

The same table shows that the loadings of all the items are above 0.50 except for one indicator of workforce reduction, which was not removed since its loading is significant and close to 0.50. Factor loadings are all significant (p < .001) and range from 0.453 – 0.852 for workforce reduction, 0.782 – 0.879 for employee motivation, 0.610 – 0.865 for employee

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performance, 0.598 - 0.870 for employee retention, and 0.611 - 0.866 for organizational communication. Composite reliability coefficients are all greater than 0.70 and range from 0.858 - 0.946, while the average variances extracted (AVEs) are all greater than 0.5 and range from 0.511 - 0.698. The factor loadings, composite reliability coefficients, and average variances extracted (AVE) indicated that convergent validity of the latent variables was established.

# Discriminant Validity

Discriminant validity was assessed using the square of average variance extracted (AVE) and Heterotrait-Monotrait (HTMT) ratios.

# Average Variance Extracted (AVE)

Table 4: Correlations among the latent variables with square root of average variances extracted (AVE)

	WFR	EM	EP	ER	OCS
WFR	(-0.715)				
EM	0.025	(-0.835)			
EP	0.054	0.818***	(-0.818)		
ER	0.434***	-0.177***	-0.046	(-0.755)	
OCS	0.084	0.551***	0.552***	-0.035	(-0.785)

From Table 4, the square of average variances extracted (AVE) of each latent variable (value inside the parenthesis) is higher than the inter-construct correlations, which indicates that discriminant validity was established. Furthermore, the table also shows a significant positive correlation between the workforce reduction measures and employee retention (AVE = 0.434), employee motivation and employee performance (AVE = 0.818), employee motivation and organizational communication system (AVE = 0.551), and employee performance and organizational communication system (AVE = 0.552). However, a significant negative correlation existed between employee motivation and employee retention (AVE = -0.177).

# Heterotrait-Monotrait (HTMT) Ratios

Table 5: Heterotrait-Monotrait (HTMT) ratios with 90% confidence interval

		WFR	EM	EP	ER
EM	HTMT ratio	0.110***			
EIVI	90% CI	(0.040, 0.180)			
EP	HTMT ratio	0.114***	0.880***		
	90% CI	(0.044, 0.185)	(0.803, 0.957)		
ER	HTMT ratio	0.524***	0.240***	0.158***	
	90% CI	(0.450, 0.598)	(0.169, 0.311)	(0.087, 0.228)	
OCS	HTMT ratio	0.156***	0.588***	0.597***	0.173***
	90% CI	(0.085, 0.226)	(0.514, 0.663)	(0.522, 0.671)	(0.102, 0.244)

Table 5 reveals that the Heterotrait-Monotrait (HTMT) ratios between any two latent variables are all less than 0.90, indicating that discriminant validity was established. The lowest HTMT ratio is between employee motivation and workforce reduction (HTMT = 0.110, p < 0.001), while the highest is between employee performance and employee motivation (HTMT = 0.880, p < 0.001).

# **Model Fit and Quality Indices**

Several model fit and quality indices were employed to assess the structural model. Notably, the Average Path Coefficient (APC) stands at 0.380, and both the Average R-squared (ARS) and Average adjusted R-squared (AARS) are at 0.296 and 0.293, respectively. These values are all significant with p < 0.001.

In terms of collinearity, both the Average block VIF (AVIF) at 1.223 and the Average full collinearity VIF (AFVIF) at 1.982 are comfortably below the threshold of 3.3. It's also worth noting that the Simpson's paradox ratio (SPR) and the R-squared contribution ratio (RSCR) both equal 1.0, which meets the ideal criteria.

Furthermore, the Statistical suppression ratio (SSR) and the Nonlinear bivariate causality direction ratio (NLBCDR) are acceptable, as their values exceed 0.7. Finally, the Tenenhaus Goodness of Fit (GoF) score is 0.447, indicating a strong fit of the structural model to the data.

#### **The Structural Equation Model**

Figure 2: The Emerging SEM Model

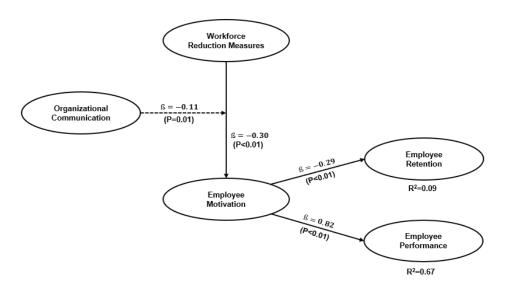


 Table 6: Direct effect of independent variables on dependent variables

Нуро-	Independent		Dependent	Path	Standard	p-	Effect	
thesis	variable		variable	coefficient	error	value	size	Result
H1	WFR	->	EM	-0.301	0.046	< 0.001	0.105	Supported
H2	EM	->	EP	0.819	0.043	< 0.001	0.67	Supported
H3	EM	->	ER	-0.293	0.046	< 0.001	0.086	Supported
H4	OCS*WFR	->	EM	-0.109	0.047	0.011	0.026	Supported

From Table 6, at a 5% level of significance, all the hypotheses proposed were supported. The emerging structural equation model shows that crisis-driven workforce reduction measures have a significant negative effect on employee motivation ( $\beta = -0.301$ , p < 0.001), supporting H1.

The SEM model also shows that employee motivation has a significant positive effect on employee performance ( $\beta = 0.819$ , p < 0.001), thus supporting the hypothesis (H2) that employee motivation, as affected by crisis-driven workforce reduction measures, can impact employee performance.

Finally, the SEM model also shows that an effective organizational communication system moderates the negative impact of workforce reduction measures on employee motivation ( $\beta = -0.109$ , p = 0.011), thus supporting the final research hypothesis (H4) that effective organizational communication can lessen the negative impacts of workforce reduction measures on employee motivation.

# 7. DISCUSSION

The recent pandemic has caused many businesses to employ workforce reduction measures as a calculated way to minimize losses, manage financial deficits, and keep businesses running. These measures include pay and benefit cuts, retrenchment, reorganization, and hiring freezes. Despite workforce reduction measures being implemented within their organization, employees perceive that the consequences of such measures affect them only to a moderate level.

This study examines the effects of workforce reduction measures on the motivation levels of BPO employees and how the latter, in turn, affect employee performance and job retention. The study also examines organizational communication as a moderating variable that affects employees' perception of workforce reduction measures, specifically the extent of their impact when implemented during a crisis.

The emerging structural equation model shows that crisis-driven workforce reduction measures have a significant negative effect on employee motivation. Specifically, such measures decrease employees' motivation levels. This is in line with the claims of various researchers over the years, such as Kumar (2021), Matthews et al. (2021), Rico and Puig (2021), and Wilson et al. (2020) that crisis-related work consequences like staff reduction, retrenchment, company reorganization, unemployment, workload increase, pay cuts, and other reductive job changes profoundly affect the emotional well-being of employees and cause a plethora of problems that ultimately lead to heightened anxiety and reduced motivation at work. It also indirectly supports the findings of Ballaret et al. (2022) and De Ocampo and Aguiling (2018), who found that rewards, recognition, and other positive reinforcements in the workplace result in higher levels of employee motivation and engagement.

The study also shows that employee motivation has a significant positive effect on employee performance. Simply put, this means that the more motivated employees are, the better they perform at work. This is consistent with the findings of Antony (2018), Ballaret et al. (2022), and De Ocampo and Aguiling (2018), who found that engaged employees have higher productivity levels, show better work results, and can contribute better to bottom line improvement. It also supports the claims made by Khawaja et al. (2021) and Mishra et al. (2020) that employees who get demotivated because of crisis-related reductions in the workplace tend to exhibit decreased performance and withdrawal behaviors at work, ultimately presenting drawbacks that can cost an organization.

It was also proven that employee motivation has a significant positive effect on employee retention. This means the more motivated employees are at work, the more likely they will stay with their current company. This coincides with the findings of Angoluan and Caballero (2019) and Antony (2018) that organizations with highly motivated employees see lower attrition rates. It also supports the research done by Mishra et al. (2020), who found that demotivated employees tend to engage less, perform poorly, and eventually decide to leave an organization.

Finally, an effective organizational communication system moderates the negative impact of workforce reduction measures on employee motivation. Specifically, it can lessen the negative impacts of such measures on employee motivation. As organizational communication improves, the effects of reduction measures on employee motivation decrease. Researchers like Aggarwal et al. (2020), Degirmenci (2022), Kumar (2021), Mazzei et al. (2019), Negros (2022), Pungan (2019), Van Egdom et al. (2021), Vo-Thanh (2020), and Yadav and Joshiya (2021) claimed as much when they found that an organization's response to a crisis can make or break their employees' motivation, performance, and retention. Specifically, employers with a positive culture and a strong communication framework are more likely to develop better relationships with their employees, ultimately affecting how the latter respond to crisis-related workforce reductions. A good communication strategy during times of crisis can reduce blame attribution, temper inclinations to protest, lessen tendencies to express dissent, and drive positive behaviors and business success.

### 8. CONCLUSION

The COVID-19 pandemic that plagued the global economy has forced many industries, including Business Process Outsourcing (BPO), to employ workforce reduction measures like pay and benefit cuts, retrenchment, reorganization, and hiring freezes as a calculated way to minimize losses, manage financial deficits, and keep businesses afloat. This study establishes that such crisis-driven workforce reduction measures have a significant negative effect on employee motivation, which has a significant positive effect on employee performance and retention. The study further asserts that organizational communication mitigates the negative impacts of workforce reduction measures on employee motivation.

To illustrate, BPO employees in companies that have implemented workforce reduction measures reportedly experience a heightened level of stress and anxiety. Employees perceive workforce reduction measures as an obstacle to achieving financial freedom. These cost-cutting mechanisms may be a lifesaver for an employer finance-wise, but from the employees' perspective, they only bring trouble. Thus, if they are inevitable, especially during an economic crisis, companies are advised to implement workforce reduction measures only as a last resort and only after developing a solid mitigation plan or support framework. Otherwise, companies will see a drop in employee motivation, potentially leading to more company-wide problems.

Employers need to implement workforce reduction measures carefully and tactfully as they can have a considerable influence on employee motivation, which in turn impacts employee performance. Employees with low motivation levels tend to perform poorly at work, in stark contrast to their motivated counterparts, who display a stronger drive to deliver. Motivated employees also generally feel more accomplished, which empowers them to take pride in their work and do their jobs better.

Moreover, employee motivation also significantly affects job retention, which means that highly motivated employees are more likely to stay at the same company and hold down the same job. They are also less inclined to change roles and look for new opportunities outside their organization.

On the other hand, employees with lower motivation levels are more compelled to leave their jobs and seek other opportunities. In this context, workforce reduction measures can inevitably lead to higher employee attrition. Companies are advised to keep this in mind When formulating employee engagement and retention strategies, employers must include frameworks that promote mental well-being, advocate financial responsibility, and reward employee performance. Additionally, since this study has also found that organizational communication mitigates the negative impacts of workforce reduction measures on employee motivation, companies must strive to communicate the rationale behind implementing workforce reduction measures to better evoke consideration and understanding from their employees.

Effective organizational communication goes a long way in boosting employee morale during crisis-related cost-cutting activities. Employees engaged by their management in constant and inclusive communication tend to feel less abandoned when workforce reduction measures are implemented.

Hence, companies are encouraged to invest in creating an open work culture where leaders can freely bridge the communication gap with employees, and where employees can access platforms that enrich and empower them to speak up and spark conversations with their leaders. Consistent corporate communication plan activities such as providing clarity across the organization, transparency on risk mitigation plans, and an avenue for employees to be involved in action planning to alleviate crisis can have a profound impact on their overall well-being and retention.

The findings in the study apply to actual policies in the workplace such as employee engagement policy, rewards and recognition policy, and retention policy. Employers that decide to implement cost-cutting measures must understand that these reduction measures impact employee motivation negatively which should prompt them to develop programs that support employee journey through the changes. As additionally shown in the findings, implementing an effective organizational communication strategy moderates the impact of the reduction measures on motivation. During crisis such as the pandemic, it is recommended that companies remain open and transparent with the employees around their objectives and reasons for the changes.

An example for this would be deploying a step-by-step communication policy and teams delivering clear and aligned messages, identifying employees who advocate for the changes, and a platform that allow employees to seek clarity, raise concerns, and ask questions so they understand the company decisions better. Impacted employees should be anticipated to have low motivation and high anxiety due to pay cuts, changes in structure, and other similar measures, hence, building programs that increase their motivation may lead to better performance. An effective rewards and recognition program, supported by retention program help employees focus on doing their job right and staying with the company, rather than focus on making ends meet, and spending their time on finding job security externally.

This study provides several contributions to the topic at hand, but it also has limitations that can be addressed in future studies. Specifically, this study is limited to BPO employees based in Metro Manila, so further research that takes data from beyond the BPO industry and covers other business districts in the Philippines can bring more detailed results to either strengthen or counter the conclusions and suggestions put forward by this paper. Also, data gathering for this paper was done using online questionnaires. Qualitative research that employs other instruments might yield more nuanced results.

A broad scope of research can also be uncovered by breaking down the different workforce reduction measures into specific units and studying them individually. They can be compared with one another to identify whether one affects employee motivation more strongly than another. Employee motivation is another topic to explore, specifically, how to concretize and quantify the elements that define it. Researchers can explore employee motivation, how it is achieved, and how companies can measure it. There is also room to further explore the relationship between motivation, performance, and retention in different configurations. For example, when external factors like job scarcity are at play, do low motivation levels still significantly influence job performance and retention?

Lastly, the topic of organizational communication shows significant promise as an area for future research. Specifically, researchers can explore whether certain communication constructs—like one-on-one meetings with team leads, face-to-face community sessions, and email newsletters from leaders—are more effective than others in mitigating workforce reduction measures.

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