

Study of Attrition of Sales Force in Life Insurance Sector

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Abstract: *As per studies and researches the Indian Insurance sector is expected to be amongst the top three in the world by 2020. The insurance sector in India is rising rapidly to bring in growth and employment opportunities. However the major challenge faced by insurance companies is employee turnover or high attrition rate especially in sales force. This study mainly discusses primary HR challenges related to attrition in life insurance industry. Insurance is not bought but it is sold. Insurance companies sell dreams to the people. It is an unpleasant thing which has to be sold in pleasant manner. Therefore it really requires talent. Handling attrition problem is the major HR challenge faced by this industry. Hence, this study is undertaken to study attrition in life insurance industry, the reasons behind attrition and possible measures to overcome it.*

Keywords: *Insurance , Attrition, Life Insurance*

I. Introduction

The attrition rate plays a significant role in an organization. High attrition rate of employees in an organization is a serious concern because the employees are the human capital. Some of the organizations especially IT, Telecom, and various other sectors which are facing high attrition rate have started searching the cause due to which the employees are leaving the organization. Due to high attrition rate, cost to the organization increases due to training, development, socialization and other costs on the employees. A high attrition rate has been observed in the Indian Insurance industry. Companies spend a significant proportion of their money for the development of the employees and if the employees leave then it becomes difficult to achieve the objectives. Employee attrition especially in sales force is one of the critical problems which are faced by Insurance Companies during these days. Studies have shown that an employee considers multiple comfort level while working in an office for e.g. remuneration, future growth, working condition, co-workers, employer's goodwill in the market, current role's scope in the market & most important future stability with the organization. It has been found that approximately 70% of the working population in India is not happy at all due to one of the given aspects which leads to higher attrition rate.

Review of Literature

In an article (Suman Pathak and Vibhuti Tripathi,2010) titled "Sales force retention: An exploratory study of the Indian Insurance sector" emphasized on recruitment, retention and turnover of sales force in insurance companies.

The authors (Abbasi and Hollman , 2010) sought to determine the impact of employee turnover on an organization and found that excessive employee turnover often engenders far reaching consequences and at the extreme may jeopardize efforts to attain the organizational objectives. The authors (Zheng and Lamond ,2009) found out that training, size, length of operation and the nature of the industry are significantly related to attrition.

According to the author (Naqvi and Ramay ,2008) revealed that job satisfaction and organizational commitment had a negative effect on turnover intentions, whereas perceived alternative job opportunities had a significant positive correlation with turnover intentions and is the major factor associated with turnover intention among its professionals. According to the author(Singh and Monga,2012) most insurance workers are working under tension and due to stress no one can perform their optimum work according to their ability. Occupational stress totally disturbs the life of subjects at workplace as well as at their home. Stress affects the interactions and dealing with the friends, relatives, family members and the customers.

Objectives of the Research

1. To understand the problem of attrition in insurance sector.
2. To find out the factors that influence employees to change their jobs.
3. To understand various strategies that companies are using to manage attrition in insurance sector.
4. To offer recommendations to the companies for reducing attrition in the insurance sector.

II. Research Methodology

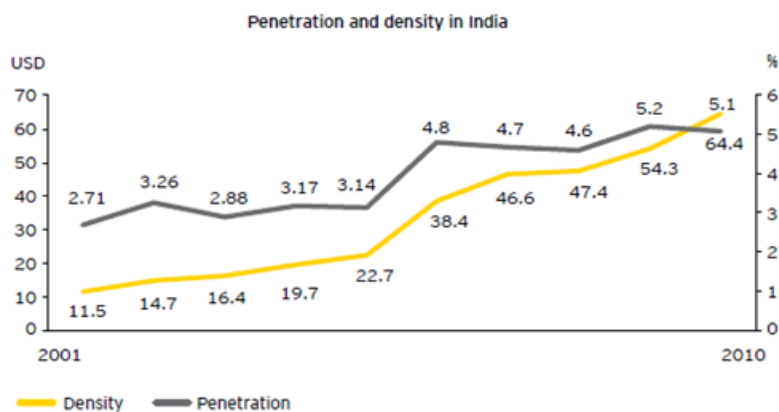
This study was conducted through a questionnaire survey. The sample was taken from the employees of 5 companies in the Insurance Sector. The sample comprised 200 employees from the sales force of the companies and was drawn using Judgment and Convenience Sampling. In addition to questionnaires another tool used for primary data collection was through interviews with employees.

III. Insurance Industry In India

The insurance industry plans to hike penetration levels to five per cent by 2020. The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US\$ 60 billion. During this period, the life insurance market is slated to cross US\$ 160 billion. The general insurance business in India is currently at Rs 78,000 crore (US\$ 11.7 billion) premium per annum industry and is growing at a healthy rate of 17 per cent.

The Indian insurance market is a huge business opportunity waiting to be harnessed. India currently accounts for less than 1.5 per cent of the world's total insurance premiums and about 2 per cent of the world's life insurance premiums despite being the second most populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years.

Indian economy and the insurance industry landscape



Source: IRDA Annual Report 2010-11

Despite strong improvement in penetration and density in the last 10 years, India largely remains an under-penetrated market. The market today is primarily dependent on push, tax incentives and mandatory buying for sales. There is very little customer pull, which will come from growing financial awareness and increasing savings and disposable income. In the long run the insurance industry is still poised for a strong growth as the domestic economy is expected to grow steadily. This will lead to rise in per capita and disposable income, while savings are expected to be stable.

Insurance growth drivers in India

The demand for insurance products is likely to increase due to the exponential growth of household savings, purchasing power, the middle class and the country's working population. Listed below, are the various underlying growth drivers for India's insurance industry:

- Growing of the financial industry as a whole
- Growth of life and non-life industry
- Promoting innovation and removing inefficiency
- Competition and orderly growth
- Growth of specific insurance segments such as motor insurance

Emerging trends

- Multi-distribution i.e. increasing penetration through new modes of distribution such as the internet, direct and telemarketing and NGOs
- Product innovation i.e. increased levels of customization through product innovation

- Claims management i.e. timely and efficient management of claims to prevent delays which can increase the claims cost
- Profitable growth i.e. expanding product range, developing innovative products and expanding distribution channels
- Regulatory trends i.e. mandated regulatory changes by the IRDA to promote a competitive environment in both the life and non-life insurance sectors

Attrition in Insurance Sector in the Indian Scenario

Many Indian companies are facing challenges in attracting and retaining talent with a high attrition rate of 14 per cent, which is more than the global average (The Hindu,2013). Attrition in India is at 14 per cent, marginally higher than global and Asia Pacific Countries (11.30 per cent and 13.81 per cent respectively), global professional services firm Towers Watson said in its report. The report said that 92 per cent of firms in the country experience challenges in attracting talent with critical skills while over 75 per cent organizations face challenges in retaining high performing talent. For Indian employers the top two priorities are career advancement opportunities and challenging work environment, while for employees, job security and career advancement opportunities are their main priorities. Seventy four per cent of the employers in India feel that their employees are actively engaged with colleagues who are in different countries as compared to 65 per cent employees globally.

Employee Value Proposition can be an effective tool in creating right balance between employee performance and employer needs. As the growth trends firm up in job market, India is set to witness highest attrition rate in the world with possibility of one in four employees switching jobs in the country. According to IRDA (Insurance Regulatory Development Authority) Annual Report 2011-12, there has been a 10.63 per cent decrease in the number of individual agents. The number has gone down from 26.39 lakh as on March 31, 2011 to 23.59 lakh as on March 31, 2012. As per Life Insurance Council's figures for the end of June, the total number of individual agents had fallen further to 21.32 lakh.

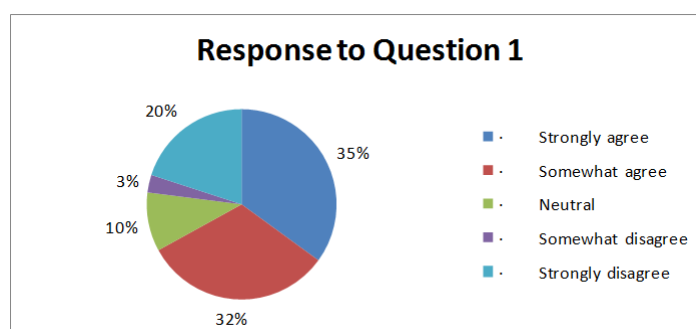
Attrition is one of the major problems faced by HR professionals of the Indian Private Life Insurance Sector. It is the most burning issue for HR department because an organization faces problems like losing the talents and knowledge, cost related to training & administration, recruitment etc. This is because today businesses are more dependent upon their human assets to survive and thrive.

With largest number of life insurance policies in force in the world, insurance happens to be a mega opportunity in India. Its business is growing at 15-20% annually and presently is of the order of Rs. 450m. Together with banking sector it adds about 7% to the GDP. Like in the case of BPO's, Insurance sector too faces the problem of attrition. Thus, recruitment is an ongoing process carried throughout the year. For the past few years, life insurance industry has been fighting a peculiar problem - agent attrition. In FY12 alone, as many as 994,635 individual life insurers quit, according to the annual report of Insurance Regulatory and Development Authority.

Data Analysis and Interpretation

1) Response to question 1

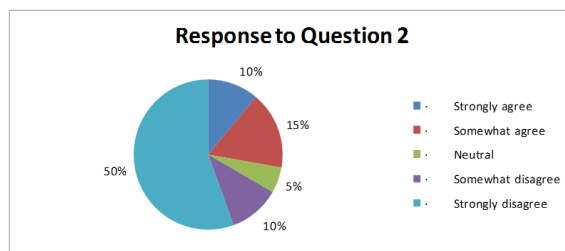
I feel I am a valued part of this office.



35% of the employees strongly agree that they are satisfied with the environment in the office they feel that they are a valued part of the office, while 20% of them think that they are not valued in the organization. The Company should have try to have a good communication process with the employees who feel that they are not valued in the organization as others are. A better communication process will lead to 100% feeling of acceptance in them.

1) Response to question 2

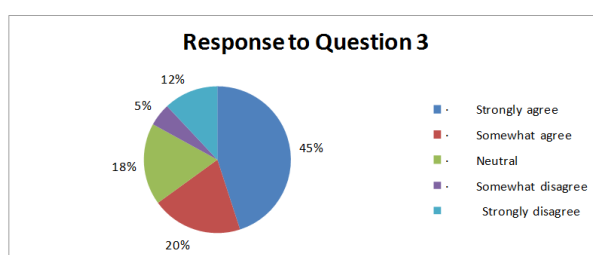
Communication between the staff and the office upper leadership is effective.



The communication between the staff and the upper leadership is not effective there might be some status issue between the upper and the middle level of the employees. They can have proper meetings held every month in the organization consisting of all levels of employees this will create a room for better communication.

2) Response to question 3

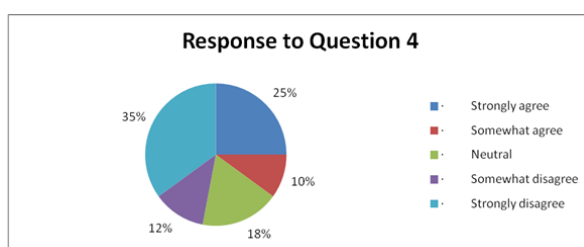
I have a clear sense of the future direction in this organization.



About 65% of the people in the industry have a clear sense of knowledge about their future in the same organization. The company must have transparency in communicating the career path to the employees.

4) Response to question 4

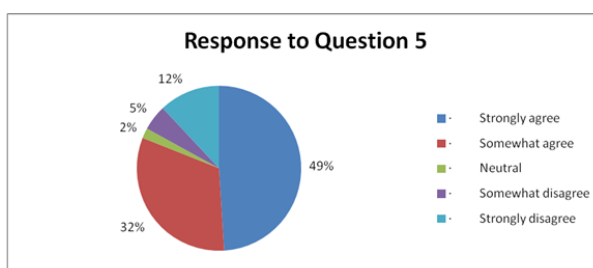
My workload and expected completion times are reasonable.



35% of the employees think that their targets and the time given for them does not match. The employees can be given extra time or they can be helped with their seniors for completing their targets. Even targets need to be reviewed at regular intervals.

5) Response to question 5

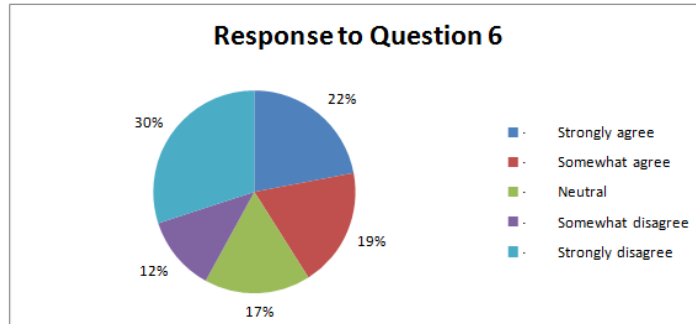
The workload has been distributed equally to all the employees.



A majority of the employees think that the work load has been distributed equally to all the employees at the same level only 12% of the employees have the view that the work load is not distributed properly.

6) Response to question 6

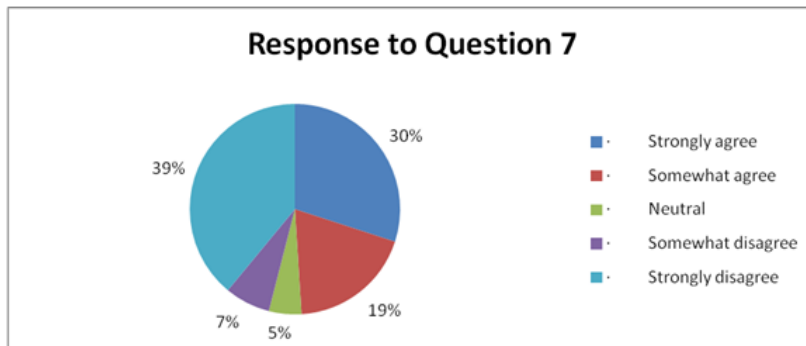
I receive constructive feedback about the quality of my work.



30% of the employees feel that they do not receive proper feedback from their seniors, Feedback is always an important in the way of performing the work. To have a proper feedback time to time meetings as well as a proper performance appraisal activity should be carried by the organization.

7) Response to question 7

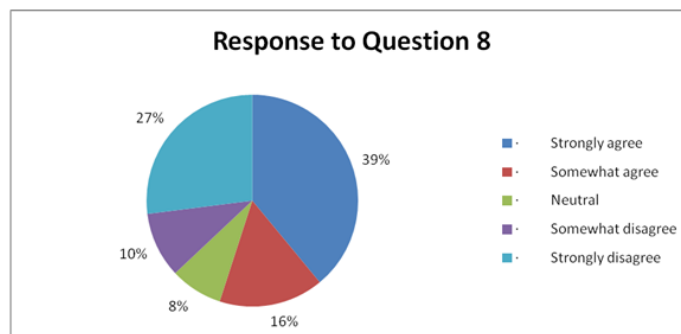
I feel fairly compensated for the work I do.



39% of the employees think that they are not fairly compensated in the organization. The views of the employees need to be taken to understand their perception of the compensation system and necessary modifications to be made.

8) Response to question 8

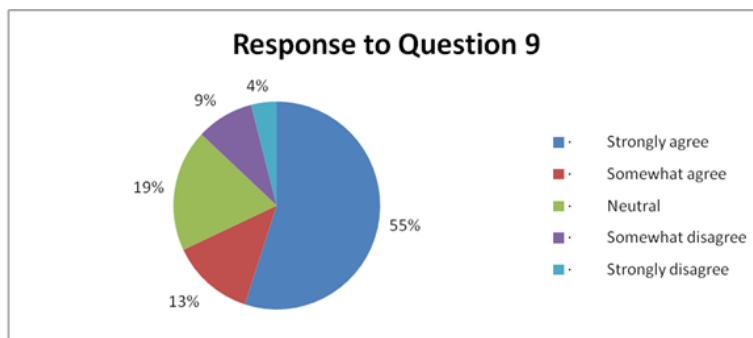
I feel there are leaders in this office I can trust.



About 39% of the employees working in the insurance sector have trust factor on their senior. 27% of employees think that the their supervisors are not trust worthy. To solve this problem there can be regular interaction of superior and junior exchanging there feedback.

9) Response to question 9

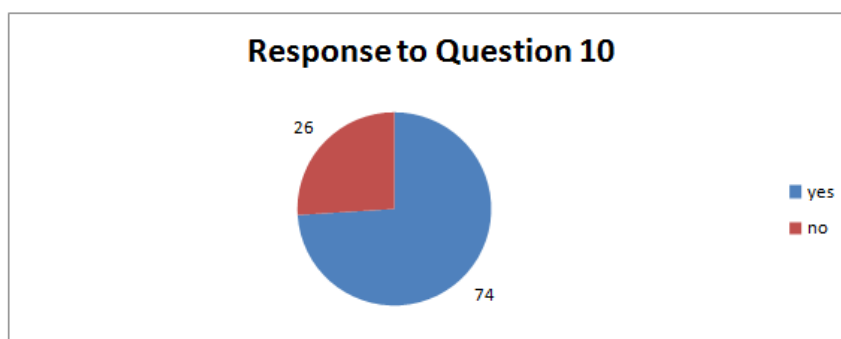
This office has regular staff meetings to plan and coordinate work.



A majority (55%) strongly agree that there are regular meetings conducted for discussing the targets but in these meetings the discussion is done only about the business of the company no feedback is discussed of the employees.

10) Response to question 10

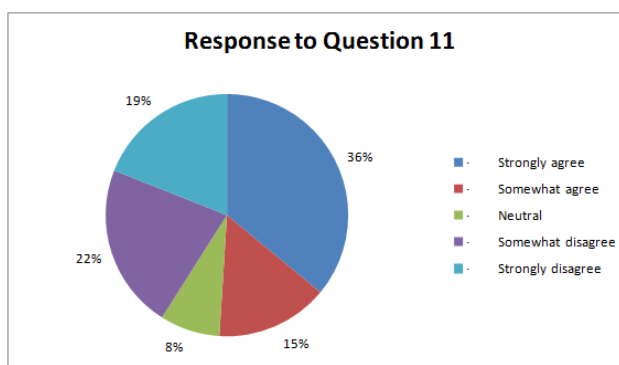
I think often about seeking employment elsewhere.



74% of the employees working in this industry wish to change their job frequently as they are not satisfied with the work culture or may be of different reasons, from the research itself we can come to know that the employees tend to change their job in very short time mainly due to target.

11) Response to question 11

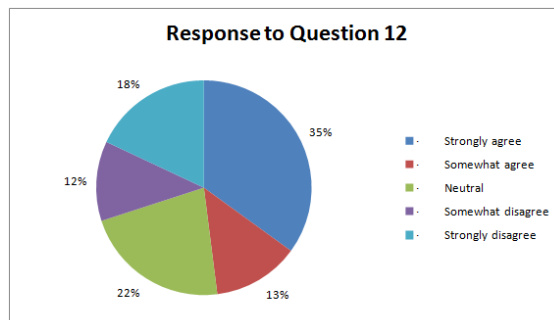
I have a positive relationship with my senior.



19% of the employees that their relationship with the seniors is not positive, according to them they feel that the seniors do not interact with them properly. The relationship or a bond that needs to exist between the senior and a subordinate relation is missing. They can build this bond with the help of proper communication and interaction discussing about the growth of the employee in the organization or by helping the employee in solving the query.

12) Response to question12

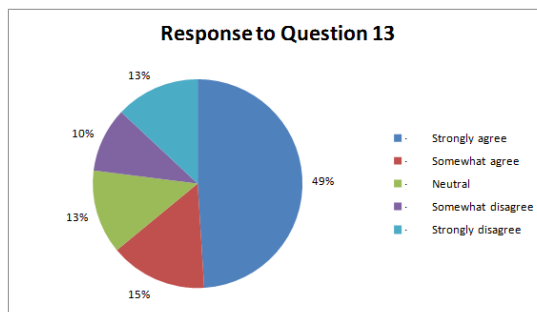
I like my job.



In the above table as we can see that 22% of employees have an opinion of being neutral towards their job. They feel that their job is too demanding and the salary compared to that is really less. While 18% of the people don't like their current job as the job is more target driven and tedious they don't get enough time for their family. To make their work more likable and enjoyable their targets may be reviewed and they can be provided by gifts and vouchers every time they complete their target this will boost their morale and they will start liking their job.

13) Response to question 13

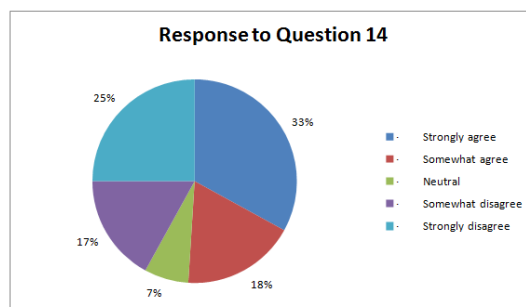
Promoting respect and fair treatment among all staff is a high priority of this office.



Most of all the employees have a point of view that they are treated fairly in the organization only 13% of the employees are of the view that they are not treated as same as others are at the same position. To avoid such discrimination initiative can be taken for regular group meeting in the office or celebrating the birthdays of the employees so that they feel that all are part of the same organization and the organization cares for them.

14) Response to question 14

I feel heard when I communicate with others in my office.

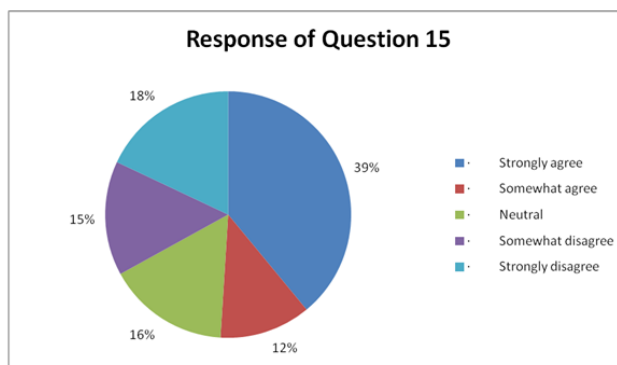


Only 33% of the people are of the opinion that they feel heard in the office while others think that they are partially heard or not even heard at all in the office. Some of them said their query are not solved and others do not listen to them. 25% employees think that they are not heard properly and become the reason for high

attrition rate. To solve such problem the employees should have faith on each other and respect each other, to build respect and faith the organization can arrange seminars and workshop on team building.

15) Response of question 15

Conflict among staff in my office is managed effectively.



39% of the employees think that their conflict is resolved with the help of the management, but 18% think that the conflicts in the office is not managed or solved in an effective manner. They have a point of views that partiality is done in the office due to several reasons. To avoid this organization can have a different cell which may deal with conflict solving issues and might contain employees of different levels.

IV. Interpretation

1. Majority of the respondents are dissatisfied with their income.
2. Majority of the respondents are satisfied and aware about their future benefits contributed by the insurance companies.
3. Majority of the respondents are dissatisfied with the equity of compensation provided to them at the same level of employment.
4. Majority of the respondents agree that working environment is clean and transparent and proper infrastructure is provided by the organization.
5. Majority of the respondents agree that they have to work extra time to fulfill target and this causes stress.
6. Majority of the respondents agree that their job is enhancing their social prestige.

V. Recommendations

- Proper communication within the organization.
- Offering attractive and competitive pay to the potential workforce.
- Offering excellent career opportunities within the organization.
- Harmonious relationship between employer & employee.
- Top management should make efforts for strengthening HR department.
- Facilitating healthy work culture in order to promote job satisfaction.
- Proper implementation of stress coping measures within the organization like counseling, meditation.
- HR manager should give more attention to retain and reward star performer employees.
- Right recruitment and selection of employees for consistent growth of the company.

VI. Conclusion

Attrition is a common phenomenon in any industry, especially in insurance industry. People are less aware of the facts of insurance as many of the people think it is an expense rather than investment. Resulting, employees face a great difficulty to sustain the job.

The stakeholders should eventually work towards maintaining a favorable environment for stable growth, increasing the penetration of insurance to rural and underpenetrated areas and increasing the contribution to the economy.

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