

Employee retention strategies in insurance sector



Increasing pressures on the corporates to cut the costs, resulting in frequent layoffs and downsizing, diminishing employee loyalty, absence of job security and increasing competition in the hunt for talent etc. are just a few reasons why the process of attracting and retaining talent has become an onerous task more than ever before. As the highly talented workforce in organizations, across various levels, enhances skills and job-hop from one company to another, managers seem to be feeling the heat in countering abnormally high attrition rates. One of the key responsibilities of a manager or supervisor is to get the work done through the employees. Moreover, when we say work, it is not just the basic minimum work to get by, but also those tasks that are accomplished when the employees are highly motivated to succeed, excel in their work, and continue to be committed to the organization. Managers and supervisors indeed find it extremely difficult in keeping their star performers satisfied and not wanting to shift their jobs.

Employee retention is important in almost all the cases. It is senseless to allow good people to leave your organization because when they leave, they take away with them the intellectual property, relationships, investments (in both time and money), an occasional employee, or two, and a chunk of the organization's future. Employee Retention Strategies helps organizations provide effective employee communication to improve commitment and enhance workforce support for key corporate initiatives.

The insurance sector in India is rising rapidly to bring in growth and employment opportunities. Insurance companies are basically human intensive, and human resources act as an undoubted differentiator. Quality manpower and its retention would act as a

Litmus test. Turnover of sales force has been high because of low entry and exit barriers. The paper addresses issues of recruitment, retention, and turnover of sales force in insurance companies. An attempt is made to integrate them to Maslow's Need Hierarchy. A survey was conducted among 350 employees who worked in or had left insurance companies to analyze factors that influenced their decisions and job satisfaction. The data were treated with factor analysis. Factors such as Safety & Security, Social & Esteem, and Personal Work Style emerged as the influencers to join insurance companies. Primary Needs and Social & Self Esteem Needs were the factors associated with job satisfaction; Stress, Career Advancement, and Work Environment emerged as factors for leaving the companies.

INTRODUCTION

Intense competition and globalization of businesses has put mounting pressure on organizations to deliver more and better than before.

Organizations need to develop and deploy human resources that can articulate the vision of the organization and make teams with the synergy to perform at much higher levels.

Human resource management (HRM) is a strategic and coherent approach to the management of an organization's most valued assets i. e. the people working there, who individually and collectively, contribute to the achievement of the objectives of the business. Human Resource management is evolving rapidly. The terms " human resource management" and " human resources" (HR) have largely replaced the term " personnel management" as a description of the processes involved in managing people in the organizations. Human resource management is a business practice as <https://assignbuster.com/employee-retention-strategies-in-insurance-sector/>

well as an academic theory that addresses the practical and theoretical techniques of managing the workforce of an organization.

The Human Resources Management (HRM) function includes a variety of activities, and the most important among them is to decide what are the staffing needs of the organization and the ways to fill these needs i. e. whether to hire employees or use independent contractors to hire employees to fill these needs, to recruit and train the best employees, to ensure that they are high performers, to deal with performance issues, and to ensure the organization's personnel and management practices conform to various regulations. Managing the organization's approach to employee records, employee compensation and benefits, and personnel policies are also the included activities. The small businesses whether for-profit or nonprofit ones usually have to carry out these activities themselves because they cannot yet afford part- or full-time help. However, it must be ensured by them that the employees are aware of the personnel policies, which confirm to current regulations.

The HRM function and HRD profession have undergone tremendous changes over the past 20-30 years. Many years ago, large organizations looked to the " Personnel Department," mostly to manage the paperwork around hiring and paying people. More recently, organizations consider the " HR Department" as playing a major role in staffing, training, and helping to manage people so that people and the organization are performing at maximum capability in a highly fulfilling manner

Human resource builds and drives the knowledge assets of an organization, the value of which has been established to be many times more than the tangibles. In the present scenario, it is becoming important for organizations to focus on finding, developing, and retaining talented employees. This paper aims to enhance understanding of the phenomenon of high employee turnover in the insurance industry and factors that lead to job satisfaction of employees. Researchers have also made an attempt to integrate Maslow's Needs Hierarchy to the underlying incentives for the sales force of insurance companies to join or leave the organization. The findings may be helpful for the companies to improve retention levels.

OBJECTIVES:

Employee turnover is a larger problem currently faced by insurance companies, as a major part of their revenue is lost. Analyzing the causes of employee turnover is imperative for insurance companies. An exploratory survey is designed, keeping in mind following objectives:

- To identify the factors which influence the decision to join the Insurance Industry.
- To analyze the factors which play a major role in job satisfaction.
- To identify the factors which influence the high attrition rate.
- To study and formulate the strategies for employee retention.

EMPLOYEE RETENTION OVERVIEW:

By looking in a dictionary, we are given that the word "retention" has synonyms like preservation, maintenance, withholding, and custody. Not just the meaning, the concept has different perceptions for the employees and

organizations. Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. A strong retention strategy becomes a powerful recruitment tool.

Retention of key employees is critical to the long-term health and success of any organization. It is a known fact that retaining your best employees ensures customer satisfaction, increased product sales, satisfied colleagues, and reporting staff, effective succession planning and deeply embedded organizational knowledge and learning.

Why are we concerned about employee retention now, when we also are talking about a reduced state workforce? The reality of hiring freezes and possibly even layoffs during economic slowdowns means it is critical to focus on retaining and enabling our remaining people to reach peak performance. Lean organizations depend heavily on the performance and quality of current employees. Current employees have specialized, institutional knowledge.

Employee retention matters as organizational issues such as training time and investment; lost knowledge; insecure employees and a costly candidate search are involved. Hence, the failure to retain an important employee is a costly affair for an organization. The importance of retaining the best talent in the organization is usually realized by intelligent employers

INDIAN INSURANCE SECTOR AT A GLANCE

The insurance sector in India is one of the booming sectors of the economy and is growing at the rate of 15-20% per annum. Together with banking

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services, it contributes to about 7% of the country's GDP. The sector has completed a full circle in India from being an open competitive market to nationalization, and back to a liberalized market again. The government of India liberalized the insurance sector in March 2000, lifting all entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership. Under the current guidelines, there is a 26% equity cap for foreign partners in an insurance company. There is a proposal to increase this limit to 49%. With several reforms and policy regulations, the Indian Insurance Sector has witnessed tremendous growth in the recent past. According to a report by the Associated Chambers of Commerce and Industry of India (Assocham), a growth of over 200% is likely to be seen in Indian insurance business by 2009-10, in which private insurance business would grow at 140% in view of aggressive marketing techniques. Insurance companies in India are growing vertically and horizontally bringing growth and new employment opportunities. Even after having so many private players in the insurance sector, still the largest company is the government owned, Life Insurance Corporation of India.

Insurance sector is an intensively people-oriented business and human resources will be the undoubted differentiator. The quality of work force attracted and retained by insurers and how their abilities and ambitions are harnessed would be the litmus test for the industry.

Traditionally, a large number of insurance agents, who work on a commission basis, manage the insurance business. The turnover of insurance agents has usually been high in this business. The insurance

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sector faces high rates of employee turnover. The highest employee turnover is at the financial advisors' (agent) level, where the entry barriers are low but targets and work pressures are very high.

The insurance companies in India are:

- Bajaj Allianz Life Insurance Company Limited
- Birla Sun Life Insurance Co. Ltd
- HDFC Standard life Insurance Co. Ltd
- ICICI Prudential Life Insurance Co. Ltd.
- ING Vysya Life Insurance Company Ltd.
- Life Insurance Corporation of India
- Max New York Life Insurance Co. Ltd
- Met Life India Insurance Company Ltd.
- Kotak Mahindra Old Mutual Life Insurance Limited
- SBI Life Insurance Co. Ltd
- Tata AIG Life Insurance Company Limited
- Reliance Life Insurance Company Limited.
- Aviva Life Insurance Co. India Pvt. Ltd.
- Shriram Life Insurance Co, Ltd.
- Sahara India Life Insurance
- Bharti AXA Life Insurance
- Future Generali Life Insurance
- IDBI Fortis Life Insurance
- Canara HSBC Oriental Bank of Commerce Life Insurance
- Religare Life Insurance
- DLF Pramerica Life Insurance

- Star Union Dai-ichi Life Insurance
- Agriculture Insurance Company of India
- Apollo DKV Insurance
- Cholamandalam MS General Insurance
- HDFC Ergo General Insurance Company
- ICICI Lombard General Insurance
- IFFCO Tokio General Insurance
- National Insurance Company Ltd
- New India Assurance
- Oriental Insurance Company
- Reliance General Insurance
- Royal Sundaram Alliance Insurance
- Shriram General Insurance Company Limited
- Tata AIG General Insurance
- United India Insurance
- Universal Sompo General Insurance Co. Ltd

VIEWS OF RECRUITERS IN INDIAN INSURANCE COMPANIES

The attrition rate is about 35% in the first year of recruitment. This goes down to about 18% by the fourth year. Most of those who drop out are non-performers, as told by the Executive Director of the Kotak Mahindra Mutual Life Insurance Company; he attributes it to the high expectations on the part of the agents. Most people think that they can make a lot of money in a short span of time. It is a high-pressure job. Sustenance requires constant networking and acquiring new relationships that requires a lot of discipline. MD Kotak Life Insurance opines that it is a sunrise industry, many people just

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want to join the race, but cannot retain the enthusiasm till the end of a year.

The attrition rate in the industry is pitched between 14% and 38% at this rate; it will soon rival the 50 per cent churn rate of the ITs-BPO sector.

Country Manager, Tata AIG, argues that the industry today is more at an attraction stage; insurers are also attracting a lot of talent from banking, Fast Moving Consumer Goods, BPO-IT industries. Head (hr and Admin, HDFC Standard Life Insurance) stated that attrition rates are at 14% in the industry. Companies have to go beyond building a brand to offer the agents careers and let them grow with the market. While retaining employees may be a problem, attracting fresh talent is still relatively easy. The slowdown in the Fast Moving Consumer Goods and Consumer Durables sector and people trained by direct marketing companies like Amway and Orflamme, too find a way into selling insurance. Head (hr ICICI Prudential Life Insurance) opines that companies cannot hold on to people, especially among frontline sales force, and this will rise as the market matures, since people are actually experiencing large amount of money coming in. Managing director and CEO (Prudential Life Insurance), the hr challenge is being addressed by offering employees learning and growth opportunities. The company offers opportunities for cross-functional learning, skills and talent development, thereby expanding one's job profile. Further, employees also develop a sense of belongingness with the company. Recruiters explain that high employee turnover rates significantly increase the investments that are made in the employees. The problem of losing funds in employee acquisition is prominent. Companies invest significant amounts of money and time in training in the initial phase; but these investments do not always get converted into actual profits. In the case of the insurance industry, each

agent level recruitment costs a company nearly Rs. 5000, other associated costs of training and administrative service are also involved. Each agent works in a non-productive or partly productive mode in the organization for nearly the first 2-3 months. An employee leaving the organization within the first 6 months is a bad investment for the company. While most insurers were not willing to share the number of staff members they lost to competitors and other sectors in recent times, industry sources indicate that newer companies like Reliance, Bharti Axa, IDBI Fortis, Pantaloons-Generali and others have been active in fresh recruitment of officials from established companies like ICICI Prudential Life, Birla Sun Life, HDFC Standard Life.

LITERATURE REVIEW

Researchers have done a literature review on the issues related to the reasons for and consequences of the employee loss and how the management may deal with turnover in various industries, in order to have a fair understanding of the strategies that can be adopted by the Insurance companies.

William J Rothwell (May 2008) in his article, "Motivating for Retention" refers to motivation as a topic of perennial interest. As organizational leaders begin a "war for talent," they need to consider new ways to motivate people to stay. Since much research indicates that people often make decisions to leave because of their supervisors' treatment with them, it only makes sense to consider ways of improving managers' treatment of workers and this article focuses on that particular issue. While many theories of motivation have been proposed, many managers today are looking for ways to retain their most talented people. One way to do that is to focus attention on how a

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manager treats the workers. This article also offers some thoughts on what behaviors to examine for improvement and has provided two instruments that may be helpful in doing that.

Dongho Kim (2006) in his article “ Employee Motivation: “ Just Ask Your Employees”” says that the imperative need of discovering, comprehending and implementing employee motivation has been a principal concern for organizations, managers and even first line supervisors, as employee motivation has been and will be the deciding factor in work performance as well as the success or failure of an organization. The purpose of this paper is to re-emphasize and analyze the necessary components of employee motivation so that the contemporary managers, especially those who are inexperienced, can enhance their knowledge and understanding of employee motivation. If a company knows as to why its employees come to work on time, stay with the company for their full working lives, and are productive, then the company may be able to ensure that all of their employees behave that way. The priorities of employee motivational factors change over time, and there is more than one reason why these changes occur. The reasons may be the economic conditions, change of the working environment or industries, labor market conditions, industry competitions, change in the workers’ attitude etc. An organization must realize that the employee motivation and its process are there to motivate its employees, and hence, the employee input must be valued and included throughout this process.

In today’s knowledge-based economy, the most challenging task before a HR Manager is to motivate and retain employees. Though various attempts have

been made in this direction, there has not been much of success and no one knows as to what exactly is the route to employees' heart.

Sanjeev Sharma (22 July 2006), in his article, "A Right Way to Motivate an Employee is to Win his Heart", focuses on the reasons why motivation is ignored even though it is of greater significance - motivation is intangible, drives all human actions, can be observed but not measured and is lost in a twilight zone; he compares motivation to that of a pop-up fly ball which can fall into cracks, if not handled or played effectively. Further, he explains the need for motivation and profile 10 areas that powerfully impact motivation which include economic rewards, promotion and transfers, opportunity to grow, challenging and stimulating work, autonomy, leadership, informal psychic rewards, goals and fun. Helping the management team optimize employees' emotions will enable the organization to make significant impact on the primary sources of competitive advantage in today's market place.

Beach, Brereton, and Cliff (2003) in their article "Workforce turnover in FIFO mining operations in Australia: An exploratory study." examined that the term 'turnover' refers to employee movements that create vacancies within an organizational unit. These vacancies may be the result of resignations, transfers, retirements, dismissals, or the completion of fixed term contracts.

Jyothi and Venkatesh (2006), in their book "Human Resource Management", have told that the application of skill or competence leads to performance and performance is the criterion for evaluating effectiveness. Therefore, a pay-for-competence program enhances productivity and product quality, reduces absenteeism, turnover, and accident rates.

Campbell and Baldwin(1993), in their article “ Recruitment difficulties and skill shortages: an analysis of labor market information in Yorkshire and Humberside”, suggest that in many industrialized countries there is a concern that skills shortages and mismatches are appearing in the labor market and that policy makers are aware that recruitment difficulties and skill shortages may reduce the competitiveness of small and large firms.

Islam and Rasad (2006) in their article,” Employee performance evaluation by the

AHP: A case study”, studies that employee performance appraisal has been practiced by numerous organizations since centuries. Though performance appraisal system has been debated by many, however, overall, it is viewed that performance appraisal is an inseparable part of organizational life.

Wu (2005), in his article “ A DEA approach to understanding the performance of

Taiwan’s steel industries 1970-1996”, mentions performance management as a complex problem and it involves various kinds of judgments about which performance measure to use. Evaluation scores depend upon these criteria heavily.

Hale (1998) in his article “ Strategic rewards: Compensation and benefits management. ” stated that employers cited recruitment costs of 50% to 60% of an employee’s first year’s salary and up to 100% for certain specialized, high-skill positions.

Bowen and Shuster (1986) in their article " American professors: A national resource imperiled." stated that while all constituting elements of an organization are important for its success, it is its enhanced ability to attract and retain the best quality talent that separates it from the others.

Abbasid and Holman (2000) in their article " Turnover: The real bottom-line. Public Personnel Management" 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.

Elangovan (2001) in his article " Casual ordering of stress, satisfaction and commitment, and intention to quit: A structural equation analysis." has argued that there is a reciprocal link between organizational commitment and turnover intention, i. e. lower commitment increases turnover intention, which lowers commitment further.

Abdul Rahman, Raza Naqvi, and Ismail Ramay (2008) in their article " Measuring turnover intention: A study of it professionals in Pakistan." 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 it

Professionals in Pakistan. Van Dick et al. (2004) in their article " Should I stay or should I go? Explaining turnover intentions with organizational identification and job satisfaction." have also identified job satisfaction as a predictor of turnover intention; however, they argue that it is a mediating

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variable between organizational identification and turnover intention.

According to their study, organizational identification feeds into job satisfaction, which, in turn, predicts turnover intention.

Gomez-Mejia, Balkin and Cardy (2003) in their article "Managing Human Resources" have analyzed that socialization is the process of orienting new employees to the organization or the unit in which they will be working. Socialization can make the difference between a new worker's feeling like an outsider and feeling like the member of the team.

Zheng and Lamond (2009) in their article "Forthcoming Organizational determinants of employee turnover for multinational companies in Asia." found out that training, size, length of operation and the nature of the industry are significantly related to turnover. Determining what constitutes 'high turnover' is a complex issue, because there is no simple linear relationship between turnover rates and the social and/or economic performance of companies. Issues ranging from poor job fit, lack of recognition or support from senior management, uncertainty about the organization's future and poor management communication are some of the reasons why people start looking for other opportunities. Reasons that can be attributed to high employee turnover in the insurance sector are:

Being an insurance agent in India is seen as a societal stigma as there is uncertainty of job and income attached to it. People join insurance companies as a part time job or a gap filler occupation and not as a long-term career. Very few competent people want to become agents owing to low social status attached to it.

It is a high-pressure job. It is expected from an agent to understand the customer's needs and sell the products accordingly. This process involves a high level of persuasion and a sustained effort for a long period. A lot of people succumb to such pressures.

The expectation achievement gap adds to the turnover. Many people are lured to the profession with a high earning potential. However, to earn a decent income, agents require a lot of patience, perseverance, and persuasion in the field. During early phase, the earnings of the agents are low despite hard work. This expectation achievement gap leads many of them to break down in the initial period of joining the profession.

Scarce skilled or experienced human resource in insurance market leads to wide scale poaching and head hunting amongst the competitors. The industry has yet to witness mature hr processes, like work force planning, training, motivation, and retention. The lack of preplanned recruitment leads the firms to indulge in poaching human resources working in other insurance firms.

With insurers having a high percentage of the workforce from multiple sectors (non-domain), the chances of losing employees to other fields, like Fast Moving Consumer Goods companies or other financial outfits, are high.

Employee Turnover is perhaps paid the least attention among various employees' issues. It is shrugged off as inevitable. Few companies take a proactive approach towards reducing employee turnover. It always includes substantial costs of replacing the key employee who fall into the category of high performers. Replacing includes the costs of recruitment advertisement, <https://assignbuster.com/employee-retention-strategies-in-insurance-sector/>

referral bonuses, selection testing, training costs, etc. Moreover, turnover results in loss of time and efforts, low productivity, loss of morale, loss of knowledge and so on.

DEALING WITH EMPLOYEE TURNOVER

Organizations that keep the front line staff motivated and equip them with the right tools are most likely to enjoy long-term superior performance (Rogers and Peccoud 2005). The challenge of creating a dynamic, enthusiastic, motivated front line environment is an opportunity in disguise for organizations. Organizations need employees who are committed, flexible, and ready to participate in decision-making. Retaining such employees in the organizations is becoming imperative in today's competitive environment. Behavioral research studies show that all human activities including jobs are directed towards satisfying certain needs. Patterns of individual behavior and motivation differ, because individuals seek to fulfill different sets of needs in different ways as adopted from their environmental and social backgrounds. Maslow (1943) propounded the Hierarchy of Needs theory originally applied as a general theory of psychological motivation. However, the usefulness of its theoretical model was adopted by organizational theorist McGregor in 1960, who applied Maslow's theory in the work place. Later on, the Hierarchy of Needs theory has been adopted and incorporated into applications in many areas in business (Shoura and Singh 1998). In the management field, it is an effective approach towards understanding motivation. Motivation is connected to several levels of the 'needs hierarchy' of human beings. Appreciation, love, respect and fulfilling work are several motivators other than monetary

benefits that an individual looks for. An attempt is made in the paper to align Maslow's Hierarchy of needs to the findings of the survey to offer a better understanding of employee turnover.

Maslow suggests that each individual aspires for a higher-level unfulfilled need once they have gratified the lower order need. An individual's level of aspirations rise when needs on lower levels are satisfied. The lower four layers of the pyramid are called 'deficiency needs' or D-needs, physiological, safety and security, love and belongingness and esteem. With the exception of the lowest layer of physiological needs, if these 'deficiency needs' are not met, the body gives no physical indication but the individual feels anxious and tensed. Various levels of Maslow's Hierarchy of Needs are analyzed in the perspective of insurance agents:

PHYSIOLOGICAL NEEDS: These include the most basic needs that are vital to survival, including the need for water, air, food, and sleep. These needs are the most basic and instinctive needs in the hierarchy. All other needs become secondary until these physiological needs are met. In the perspective of insurance agents, these needs are addressed by the compensation plan. Insurance companies primarily work on incentive-based compensation plans, which lead to income uncertainties. An employee looks forward to a sufficient compensation structure, which would take care of all of his/her basic physiological needs. A robust, safe, and easy to understand compensation plan may retain employees who are striving to materialize their physiological needs. It is necessary for the companies to update the compensation plan with time, so that it fulfills the physiological needs of the individual and his/her family at different stages of their lives.

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SAFETY NEEDS: Such needs are important for survival, but they are not as demanding as the physiological needs. Desire for steady employment, health insurance, safe neighborhoods, and shelter from the environment could be a few. There are two aspects of the security, which would concern a person in the insurance business. One is the personal physical security while on field; and the psychological fear of job security with high targets is the second.

SOCIAL NEEDS: Maslow states that people seek to overcome feelings of loneliness and alienation. This involves both giving and receiving love, affection and the sense of belongingness. This need of an individual gets highly affected in insurance companies predominantly. Individuals do not gain a high status in society, which is attributed to the social stigma of being an insurance agent, and big target pressure causes separation from one's family, friends, and relatives. Employees have been found complaining about not being able to spend ample time with their family and friends. The insurance companies may compensate for this by creating a fun-filled work environment and developing a conducive work environment. Teambuilding initiatives can be taken by managers to inculcate the sense of belongingness.

NEEDS FOR ESTEEM: A normal human desires to be accepted and valued by others. People engage themselves to gaining recognition, attaining a sense of contribution, feeling accepted and self-valued, be it in a profession or hobby. Imbalances at this level can result in low self-esteem or an inferiority complex. Those working as employees in an insurance company are viewed as people of comparatively less ability. The attitude is developed due to mass recruitment undertaken by insurance firms, where not much focus is placed on selecting suitable candidates. This diminution in esteem leads to

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leaving the industry on getting a better opportunity. Many companies are focusing on creating a positive image of the industry by using the media, though much is yet to be done. Measures like change in job title and nature of the job could be positive steps in this direction. As the industry matures, the positioning needs a change from being a mere moneymaker option to an industry that provides learning and high growth opportunities.

NEED FOR SELF-ACTUALIZATION: Maslow describes self-actualization as a person's need to be and do what he/she was born to do. These needs make themselves felt in signs of restlessness. A person