Higher Attrition Rate – A Critical Challenge Faced by the Human Resources Manager with Reference to Private Insurance Sectors

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Abstract

In today's arena the Indian economy is on a faster pace, where all the sectors play there role with their potentials. Insurance sectors play one of the important roles in the current scenario. In the recent trends the private insurance sector has gained much importance apart from the public sector undertaking insurance companies. Today, Retention of efficient employees is one of the most critical challenges faced by many corporate worldwide and these private insurance sectors are no exception to this phenomenon. These private insurance sectors are now undergoing one of the critical and foremost challenges that are "Higher Attrition Rate". The HR managers have been facing a tough time finding a suitable replacement with required experience and ability, to fill up the vacancies created on account of exit of key employees. This paper work throws lights on the reasons and the innovative measures that the human resources department can adopt in order to reduce this higher attrition rate.

Keywords: Attrition, Reasons, Measures.

Introduction

In recent days India has placed it self in a strong position in its economic growth where all the sectors play their own role. Insurance sector has marked its place in the fast pace growth of Indian economy. Though India's insurance sector accounted for 4.1 per cent of GDP in 2006-07 and the insurance companies recorded a 19.9 per cent growth in premium as compared to the world market growth rate of 2.9 per cent; on world averages India ranks 78th in terms of insurance density and 54th in terms of insurance penetration. The market size of the insurance sector is estimated to reach a size of Rs 2000 billion by 2009-10. The domestic insurance industry in India is estimated to be around US$ 60.5 billion by 2010, of which US$ 35.   Even though insurance sector is proving its growth, in the current scenario Employee attrition is one of the critical problems which is faced by the Human Resources manager in the Insurance Sector, even though these Sector offers attractive packages to their employees, Agents and Unit managers. In order to curb high attrition

rates, the variable pay offered is nearly 100 per cent of the fixed pay. The attrition is seen highest in the insurance sector, touching 35.2 per cent in 2007. Though the salaries are attractive, at the same time, the attrition rates also are high, because these Insurance Sector jobs are highly demanding, target oriented and competitive.

The insurance sector in India has come full circle from being an open competitive market to nationalization and back to a liberalized market again. Tracing the developments in the Indian insurance sector reveals the 360-degree turn witnessed over a period of almost two centuries. With the largest number of life insurance policies in force in the world, insurance is a mega opportunity in India. It's a business growing at the rate of 15-20 percent annually and presently is of the order of around Rs 450 billion. Yet, nearly 80 percent of Indian population is without life insurance cover, health insurance and non-life insurance continues to be below international standards. And this part of the population is also subject to weak social security and pension systems with hardly any old age income security. This it self is an indicator that growth potential for the insurance sector is immense.

Private Insurance sectors – An overview

IRDA has so far granted registration to 12 private life insurance companies and 9 general insurance companies.

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Table I. Particulars of the life insurance companies and general insurance companies including their web address

LIFE INSURERS	Websites	GENERAL INSURANCE - INSURERS	Websites
Private Sector		Private Sector	
Allianz Bajaj Life Insurance Company Limited	www.allianzbajaj.co.in	Bajaj Allianz General Insurance Co. Limited	www.bajajallianz.co.in
Birla Sun-Life Insurance Company Limited	www.birlasunlife.com	ICICI Lombard General Insurance Co. Ltd.	www.icicilombard.com
HDFC Standard Life Insurance Co. Limited	www.hdfcinsurance.com	IFFCO-Tokio General Insurance Co. Ltd.	www.itgi.co.in
ICICI Prudential Life Insurance Co. Limited	www.iciciprulife.com	Reliance General Insurance Co. Limited	www.ril.com
ING Vysya Life Insurance Company Limited	www.ingvysayalife.com	Royal Sundaram Alliance Insurance Co. Ltd.	www.royalsun.com
Max New York Life Insurance Co. Limited	www.maxnewyorklife.com	TATA AIG General Insurance Co. Limited	www.tata-aig.com
MetLife Insurance Company Limited	www.metlife.com	Cholamandalam General Insurance Co. Ltd.	www.cholainsurance.com
Om Kotak Mahindra Life Insurance Co. Ltd.	www.omkotakmahnidra.com	Export Credit Guarantee Corporation	www.ecgcindia.com
SBI Life Insurance Company Limited	www.sbilife.co.in	HDFC Chubb General Insurance Co. Ltd.	
TATA AIG Life Insurance Company Limited	www.tata-aig.com		
AMP Sanmar Assurance Company Limited	www.ampsanmar.com		
Dabur CGU Life Insurance Co. Pvt. Limited	www.avivaindia.com		

Reasons for Higher Attrition level in private insurance sectors:

Employee attrition is one of the critical problems which are faced by an HR manager during these days. In broad term, attrition is a situation which employer face when employee left the organization due to job dissatisfaction, new opportunity in the market, retirement & natural cause (death/illness). Now a days this is one of the most important question which is asked by higher authority to HR people…."Why our attrition rate is higher than other company". In an ideal situation an employee consider multiple comfort level while working in an office for e.g. employer's goodwill in the market, remuneration, future growth, working condition, co-workers, current role's scope in the market & most important future stability with the organization. In a survey, approximate 70% of the working population in India is not happy at all due to one of the aspect (as mentioned aforesaid) which is not fulfilled while working in an organization which caused higher attrition rate. The reason are various behind leaving an organization & any attempt to find one comprehensive explanation for this phenomenon would be futile. Though the rising attrition within industries is a well-discussed topic but very few HR executives have been able to pinpoint the 'exact' reason for this growing trend. A recent Hewitt 'Attrition & Retention' survey shows one of the top reasons for talent attrition to be "external inequity in compensation". They also show that 27% of the employees in their EXIT interview mentioned compensation as the primary reason. It comes no surprise to many that money is an important factor but what besides this, there are several factors that influence an employee's decision to leave.

Gone those days where salary was the sole motivator for an employee to leave an organization.

The major reasons for the cause of Attrition are as follows:

Inequity in compensation

In equality in compensation plays very important role in the employees attrition in this private sector, where the employees feel that they are paid less for their nature of work or they are paid less when compared to other competitive companies.

Role stagnation

The employees face a psychological factor where they are influence with same kind of role which they employees undergoes in the organizational activities, for consideration sales managers role throughout the year is stagnated with sales. Thus it also plays an important role in employee's attrition. The Most Common reasons experienced by HR manager with respect to employee's attrition are discussed:

Mismatch of job profile

Insurance sectors especially private insurance sector pays a very good packages as the salary to their employees. Even the fresher's have lots of job oppournties in this field so they get into these jobs but due to the mismatch of their abilities and to the job profile, high attrition takes place.

Job stress and work-life imbalances

Insurance sectors are basically target oriented business especially private players are focusing on expanding and increasing their base of customers, this leads to stress among the employees which brings in direct impact over their work life balance of those employees. This leads to a high attrition level in private insurance sector.

Odd working hours

As discussed this insurance sector is target oriented the employees of private insurance sector are forced to work 24/7*365 for consideration sales person even works on Sundays where he is engaged to work on promotional activities and to meet customers. This brings in a tired feeling within those employees to quit the organization.

Job Hopping

As discussed Insurance sectors especially private insurance sector pays very good packages as the salary to their employees. The employees without any consideration are involved in job hopping activities in order to reap quick increase in their packages. This is one the reasons with results in higher attrition among the employees.

Too much of monitoring to accomplish ones task

In private sectors there involves a typical reason which leads to employees attrition ie , the higher in charge person gets too much involved in monitoring their managers and executives works this leads an ill feeling among the employees to carry out their tasks, this leads to have a higher attrition among the employees.

Work culture

In private insurance sectors the employees feels that the work culture followed by the management is not motivating them apart from the incentives which they receive on achieving their targets, where the employees are questioned and monitored by multiple levels of higher authority persons. This is one the reasons with results in higher attrition among the employees.

Associated cost with high Attrition

As a result of higher attrition in private insurance sector, there are certain impacts which the organizations have to face due to it:

Talent loss

It includes the cost of lost knowledge, skills and contacts that the person who is leaving is taking with them out of your door.

Recruitment cost

1. The cost of advertisements; agency costs; employee referral costs; internet posting costs.
2. Calculate the cost of the manager who has to understand what work remains, and how to cover that work until a replacement is found.
3. Cost of the various candidate pre-employment tests to help assess candidates' skills, abilities, aptitude, attitude, values and behaviors.

Training cost

It includes the cost of orientation in terms of the new person's salary and the cost of the person who conducts the orientation. It also consists of the training. Calculate the cost of various training materials needed including company product manuals, computer or other technology equipment used in the delivery of the training.

Motivational cost

It refers to the cost arises because of motivating the other employees to retain them in the organization in terms of increasing their salary and time.

Lost Productivity Costs

As the new employee is learning the new job, the company policies and practices, etc. they are not fully productive. Use the following guidelines to calculate the cost of this lost productivity.

How to Retain Employees in private Insurance Sector

Retaining employees has always proved to be fruitful across many industries rather than to search for new & efficient talent and that also applies to this private

Insurance Sector. So to gain the fruit of this tree, different companies devise different strategies for retaining their employees. Simply hiking ones salary in an endeavor to retain your valuable employee will serve no purpose as today's workforce has a lot going during his/her decision making process and it's certainly not restricted to pay. An organization's productivity is measured not in terms of employee satisfaction but by employee engagement and retention. Employees are said to be engaged when they show a positive attitude toward the organization and express a commitment to remain with the organization. Organizations that believe in increasing employee engagement levels focus on:

Improving Work Culture

Work Culture plays very important role in the field of employee's retention and engagement. It should consist of a foundation of leadership, vision, values, effective communication, a strategic plan, and HR policies that are focused on the employees. So that the employees can feel their warmth towards the organization, this in turn helps the organization to retain their employees.

Continuous Reinforcement of People-Focused Policies

Continuous reinforcement of people focused policies should be implemented and to be followed up where Continuous reinforcement exists when senior management provides staff with budgets and resources to accomplish their work, and empowers their employees in the organization.

Meaningful Metrics

The private insurance sector has to measure the factors that are essential to the organization's performance and to reduce the attrition level. Because so much of the organization's performance is dependent on people, such metrics will naturally drive the people-focus of the organization and lead to beneficial change through this the private insurance sectors can reduce their attrition level.

Increasing employee engagement for reducing Attrition rate

1. **Provide variety**: Tedious, repetitive tasks can cause burn out and boredom over time. If the job requires repetitive tasks, look for ways to introduce variety by rotating duties, areas of responsibility, delivery of service etc.
2. **Conduct periodic meetings** with employees to communicate good news, challenges and easy-to-understand company financial information. Managers and supervisors should be comfortable communicating with their staff, and able to give and receive constructive feedback.
3. **Indulge in employee deployment** if he feels he is not on the right job. Provide an open environment.

4. **Communicating openly and clearly** about what's expected of employees at every level - your vision, priorities, success measures, etc.
5. **Get to know employees' interests, goals, stressors**, etc. Show an interest in their well-being and do what it takes enable them to feel more fulfilled and better balanced in work and life.
6. **Celebrate individual, team and organizational successes**. Catch employees doing something right, and say "Thank you."
7. **Be consistent in your support for engagement initiatives**. If you start one and then drop it, your efforts may backfire. There's a strong connection between employees' commitment to an initiative and management's commitment to supporting it.

These are the route maps in order to reduce the higher attrition rate among the employees of private insurance sector.

Conclusion

According to Roopa Abraham (HR Head in Bajaj Allianz General Insurance Co Ltd.) "Attrition in any industry or company is due to either a push factor or a pull factor. In terms of the pull factor, most of the attrition in the Insurance sector is in the sales teams. This is so because the skill sets required to do this job are not just used by the Insurance Sector." To devoid organization's growth, HR manager should give close attention to why attrition is occurring in the present. People are leaving the organization is to ignore the organization greatest assets – its people. To ignore why People in organization are needed to perform the task; but they are not just machine but more than that. They are organization dreams, hopes, ambitions, creativity and innovation. And to retain these valuable assets is one of the surest ways to build an organization rather than just to go in global markets. And this is the only way an organization can lower its attrition rate.

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