

## A STUDY OF ATTRITION RATE AMONG SALES FORCE OF LIFE INSURANCE COMPANIES IN DELHI

*Rajesh Verma,*

Assistant Professor,  
ASIBAS, Amity University,  
Uttar Pradesh, India.

*Aanchal Aggarwal,*

Management Trainee,  
IFFCO Tokio General Insurance Co.  
Ltd, India.

### ABSTRACT

The last decade saw an upheaval in the growth and development of the Indian Economy, which was accompanied by the revolution in all fronts and a radical change in the way life insurance business was done. After globalization in year 2000, the insurance sector in India is rising rapidly to bring in growth and employment opportunities. But the major challenge faced by insurance companies is employee turnover or high attrition rate especially in sales force. It is expected that by 2020, the Indian Insurance sector will be amongst the top 3 in the world. But to reach up to this level the insurance companies have to take steps to reduce the increasing rate of attrition. This study will focus the reasons for high attrition rate among sales force of life insurance companies and how to manage high attrition rate.

**Keywords:** Reasons for attrition, managing attrition and motivation.

## INTRODUCTION:

In the best of worlds, employees would love their jobs, like their co workers, work with dedication for their employers, get a good salary for their work, have ample opportunities for growth, and flexible schedules so they could attend to personal or family needs when necessary. And never leave. But then there's the real world. And in the real world, employees do leave, either because they want more money, hate the working conditions, hate their co workers, want a change. 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 have started searching the cause due to which the employees are leaving the organization. There are some organizations specially belonging to IT, Telecom, and various other sectors which are facing high attrition rate. Due to high attrition rate, cost of the organization increases due to training, development, socialization and other costs on the employees. Attrition rate is high basically in an organization whose work is mostly dependent on knowledge workers like BPO, paramedical, aeronautics etc.

Insurance industry is growing at 32-34% annually in India. This high growth in the market is the result of liberalization, with new players' significantly enhancing product awareness and promoting consumer education and information. Internal employees and sales personnel are one of the key areas for each company to achieve the goal. Researchers have observed high attrition in Indian Insurance industry. Companies spend lots of money for the development of the employees and in this process if someone leaves the organization, organizations feel deviation in their plan and hence get delay to reach the objective.

Attrition is defined as reduction in the number of employees through retirement, resignation or death. The rate of shrinkage in size or number of employees is known as attrition rate. Attrition of employees in a limited measure is desirable for influx of new ideas in any type of organization. It helps organizations to maintain their agility in fast changing environment. It brings in new blood, opens up new vistas for change, development and improvement, shows avenues to expand operations and add to the creative lines of the organizations. Attrition in a limited measure can thus bring gains to the organization. However if attrition increases beyond a certain level, the gains are transformed into pains. Recruiters explain that high attrition rates significantly increase the investment made on employees. Significant investments in time and money need to be made for acquiring employees in any organization. These can never be translated into profit when attrition is high.

Different organizations use different method to calculate the rate of attrition. The most common formula to calculate the rate of attrition used by many organizations is:

Attrition Rate = (Number of employees who left in the year / Average employees in the year) \* 100

Employee attrition especially in sales force is one of the critical problems which are faced by Insurance Companies during these days. In an ideal situation an employee consider multiple comfort level while working in a 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 a organization which caused higher attrition rate. 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).. Earlier it wasn't important for the organization, whether their employees are committed or not, but now the time has been changed. The company cannot afford to lose its best employee to competitors. Therefore, It is a paramount consideration for insurance companies to think, why people are vacating their positions.

## REVIEW OF LITERATURE:

Johnson and Gill (1993) describe motivation in work organizations as “the processes by which people are enabled to and induced to choose to behave in particular ways”. Motivation is therefore coupled with a search for the ways by which members' job performance and productivity may be enhanced or maintain.

Employee involvement has a direct correlation with productivity, quality, efficiency, absenteeism, and even motivation. Employee involvement has received much attention in the area of work organization in recent decades. Although changes in the work organization during the last decades are diverse and difficult to

summarize by a few key concepts, there has emerged an agreement that employee involvement and monetary incentive systems are important measures in modern personnel management (Delery and Doty 1996), (Appelbaum et al. 2000), (Godard 2004). Addison et al. (2000) shows that establishments of different sizes might be affected differently by employee involvement. Employee involvement produces improved enterprise performance through diverse channels including enhanced discretionary effort by employees (Jones et al 2003). There is also a high association between peer review and employee involvement in work organization and better the peer review, better is the efficiency towards work. Employee involvement also affects the important 16 dimensions of individual performance, organizational citizenship behavior, defined as individual discretionary behavior that promotes the organization and is not explicitly rewarded. The main principle behind all initiatives for increasing the involvement of workers is to get the lower-level staff more involved in the decision making and work processes, and to grant these employees greater autonomy and control over job tasks and methods of work (Cappelli and Rogovsky 1994). Typical measures are teamwork, lean management, and reduced hierarchic levels (Godard 2004).

Hackman and Oldham's Job characteristics model has been used to develop the conceptual model for the research. The Job Characteristics Model by Hackman and Oldham (1976) focuses on the interaction between the psychological states of employees, the job characteristics that are believed to determine these states and the attributes of individuals that determine how positively a person will respond to a complex and challenging job. Few of the aspects of the model have been amended with reasons. This amended model then generates a base for the theoretical skeleton of the research model.

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.

Van Dick et al. (2004) have also identified job satisfaction as a predictor of turnover intention; however, they argue that it is a mediating variable between organizational identification and attrition.

Abbasi and Hollman (2000) 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.

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.

Hale (1998) 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) 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.

Mirvis and Lawler (1984) suggested that Quality of working life was associated with satisfaction with wages, hours and working conditions, describing the "basic elements of a good quality of work life" as; safe work environment, equitable wages, equal employment opportunities and opportunities for advancement.

Walton (1973) suggested eight major conceptual areas for understanding quality of work life. These were adequate and fair compensation, safe and healthy working conditions, development of human competencies, growth and security, social integration, constitutionalization and total life space and social reliance.

#### **OBJECTIVE OF THE STUDY:**

- To find out the reasons of attrition in insurance business.
- To find out the factors which motivates employees to change their jobs?
- To know various techniques that can be utilized to manage attrition.

#### **RESEARCH METHODOLOGY:**

Research in common parlance refers to a search for knowledge. Research is an endeavour to discover answers to problems (intellectual and practical) through the application of scientific method to the knowable universe Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them.

**• HYPOTHESIS:**

Ho: Rate of attrition of employees is independent of income

H1: Rate of attrition of employees is dependent of income

Ho: Rate of attrition of employees is independent of working life in the organisation

H1: Rate of attrition of employees is dependent of working life in the organization

**RESEARCH DESIGN:**

Research design is a catalogue of the various phases and the facts related to the formulation of a research effort. It is an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure. Descriptive research design means research design in a case of descriptive studies which is concerned with describing the characteristics of a particular individual or of a group.

**DESCRIPTIVE RESEARCH:**

Descriptive study is a fact finding investigation with adequate interpretation. It is the simplest type of the research. It is more specific than an exploratory study, as it focuses particular aspect or dimension of the problem being studied. It is designed to gather descriptive information and provides information for the formulating more sophisticated studies. Data are collected by using one or more appropriate methods like: observations, interviewing and mail questionnaires. Census surveys are examples of such research. This type of the research is also called ex post facto research.

**POPULATION AND SAMPLE:**

A sample as the name implies, is a smaller representation of a larger whole. A sample is a composed of some fraction or a part of the total number of elements or units is a defined population. Sampling therefore is a method of selecting some fraction of a population. Sampling is an essential part of all scientific procedures. It is well developed in the field of biology, physics, chemistry and social science research. The research undertaken comprised of total population of all the employees working in private insurance companies in Delhi/NCR region with total sample size of 200.

**SAMPLING METHOD:**

In this research effort “Convenience Sampling” has been used. This method is used to make research procedure faster by obtaining a large number of accomplished questionnaires rapidly and efficiently. The sample for conducting the survey contains employees of above mentioned companies.

**METHODS OF DATA COLLECTION:**

The two main sources of data collection in a social science research come from the inner world of the library and outside world of living people. We may label these two sources simply under the general rubric of documentary or paper sources. We may consider historical records, diaries, biographies and statistical records. When we turn to consider people as a source social science data, we identify various forms of observation, but more particularly and primarily the interview and questionnaire are the techniques for the collection of the data from the source.

**A) PRIMARY DATA:**

Primary data is the information collected during the course of an experiment during experimental research. It can also be obtained through observation or through direct communication, with the person associated with the selected subjects, by performing surveys or descriptive research. There are several methods of collecting primary data. We have used Questionnaire to collect data

## B) SECONDARY DATA:

Secondary Data means data that is already available in various reports, diaries, letters, books, periodicals, etc. Secondary data is that, which has been used previously for any research and is now in use for the second time. In short, data presented in research reports when used again in further research, is called secondary data.

## DATA PROCESSING & ANALYSIS:

Scale 1	Code
AGREE	1
DISAGREE	2
NEUTRAL	3

Scale 2	Code
OCCASIONALLY	4
ALWAYS	5
FREQUENTLY	6
RARELY	7
NEVER	8

Scale 3	Code
YES	9
NO	10

### Q1 – Q2

Q1 - Q2	AGREE	DISAGREE	NEUTRAL	Total
AGREE	52	14	18	84
DISAGREE	30	30	24	84
NEUTRAL	12	4	16	32
<b>Total</b>	<b>94</b>	<b>48</b>	<b>58</b>	<b>200</b>

### HYPOTHESIS:

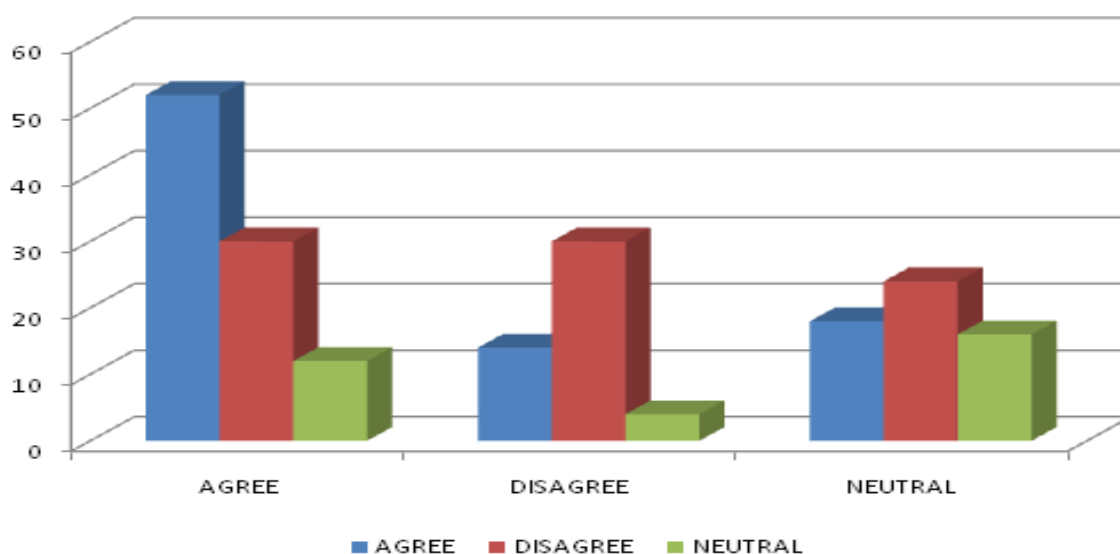
Ho: Rate of attrition of employees is independent of income

H1: Rate of attrition of employees is dependent of income

Observation	Expectation	O - E	(O - E) <sup>2</sup>	(O - E) <sup>2</sup> /E
52	39.48	12.52	156.7504	3.970375
30	39.48	-9.48	89.8704	2.276353
12	15.04	-3.04	9.2416	0.614468
14	20.16	-6.16	37.9456	1.882222
30	20.16	9.84	96.8256	4.802857
4	7.68	-3.68	13.5424	1.763333
18	24.36	-6.36	40.4496	1.660493
24	24.36	-0.36	0.1296	0.00532
16	9.28	6.72	45.1584	4.866207
Chi Square Value (Calculated)				<b>21.84</b>

Rejected Null Hypothesis, accepted Alternative hypothesis i.e. “Rate of attrition of employees is dependent of income”.

Q1 -Q2	AGREE	DISAGREE	NEUTRAL
AGREE	52	14	18
DISAGREE	30	30	24
NEUTRAL	12	4	16



From the above analysis we can see that 52 people are satisfied with their income and agree that the company contributes to their future benefit.

While 14 are satisfied with their income but disagree that the company contributes to their future benefit, 30 are dissatisfied with their income but agree that the company contributes to their future benefit. 30 are neither satisfied with income nor agree that the company contributes to their future benefit. 74 are neutral in their opinion.

#### Q1- Q4

Q1- Q4	AGREE	DISAGREE	NEUTRAL	Total
AGREE	40	30	14	84
DISAGREE	32	38	14	84
NEUTRAL	14	10	8	32
<b>Total</b>	<b>86</b>	<b>78</b>	<b>36</b>	<b>200</b>

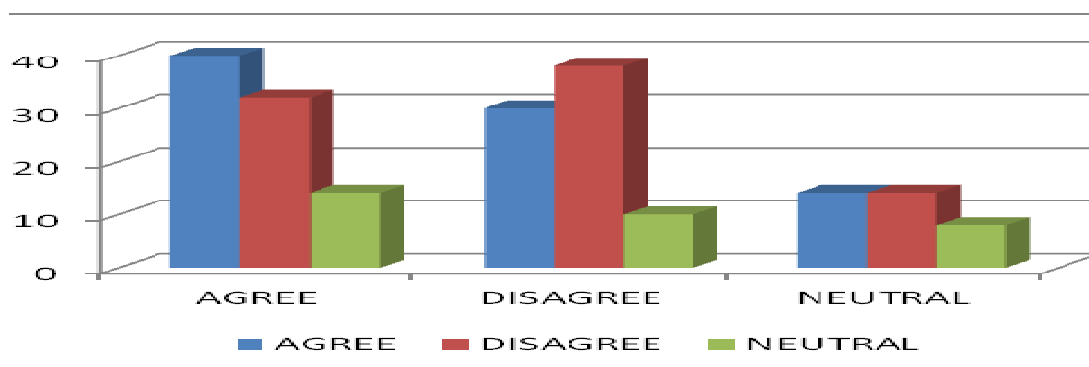
#### HYPOTHESIS;

Ho: Rate of attrition of employees is independent of working life in the organisation

H1: Rate of attrition of employees is dependent of working life in the organisation

Observation	Experience	O - E	(O - E) <sup>2</sup>	(O - E) <sup>2</sup> /E
40	36.12	3.88	15.0544	0.416788
32	36.12	-4.12	16.9744	0.469945
14	13.76	0.24	0.0576	0.004186
30	32.76	-2.76	7.6176	0.232527
38	32.76	5.24	27.4576	0.838144
10	12.48	-2.48	6.1504	0.492821
14	15.12	-1.12	1.2544	0.082963
14	15.12	-1.12	1.2544	0.082963
8	5.76	2.24	5.0176	0.871111
Chi Square Value (Calculated)				<b>3.49</b>

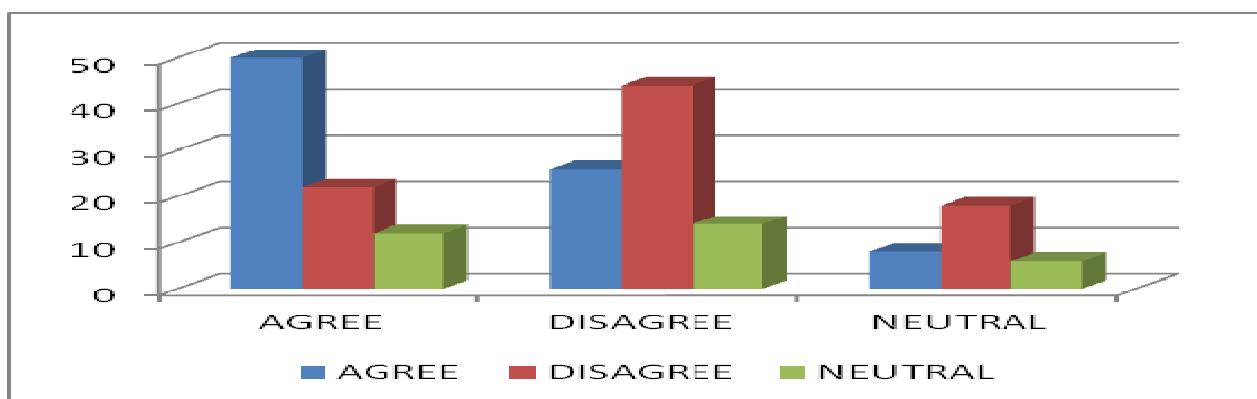
Rejected Null Hypothesis, accepted Alternative Hypothesis i.e. “Rate of attrition of employees is dependent of working life in the organisation”.



From the above graph we can see that 40 people are satisfied with their income as well as their working environment. 30 are satisfied with the income but not with working environment. 32 are dissatisfied with their income but not with the working environment. 38 are neither satisfied with income nor with working environment. 60 are neutral about their opinion.

#### Q1 -Q20

Q1 – Q20	AGREE	DISAGREE	NEUTRAL	Total
AGREE	50	26	8	84
DISAGREE	22	44	18	84
NEUTRAL	12	14	6	32
<b>Total</b>	<b>84</b>	<b>84</b>	<b>32</b>	<b>200</b>

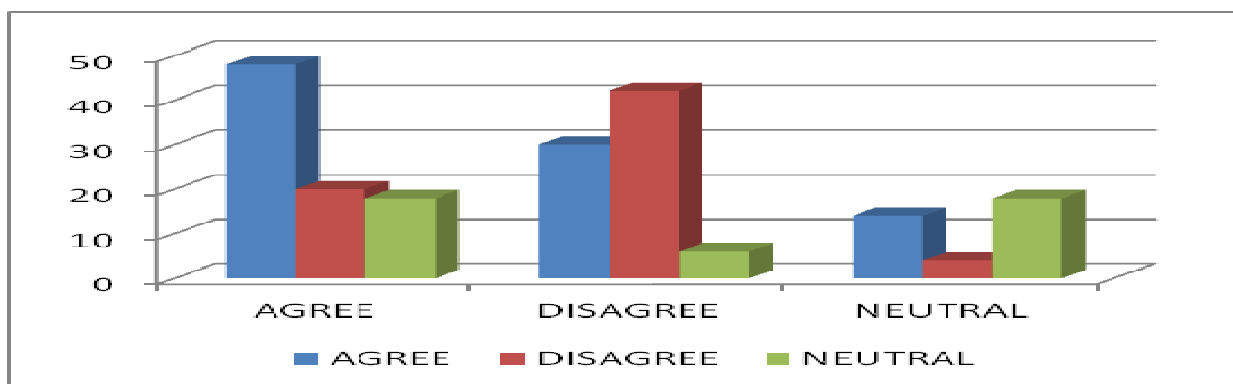


From the above graph we can see that 50 people are satisfied with their income and agree that their job is enhancing their social prestige. 26 are satisfied with their income but disagree that their job is enhancing their social prestige. 22 are not satisfied with their income but agree that their job is enhancing their social prestige.

44 are neither satisfied with their income nor agree that their job is enhancing their social prestige. 58 are neutral about their opinion.

#### Q3 – Q4

Q3 – Q4	AGREE	DISAGREE	NEUTRAL	Total
AGREE	48	30	14	92
DISAGREE	20	42	4	66
NEUTRAL	18	6	18	42
<b>Total</b>	<b>86</b>	<b>78</b>	<b>36</b>	<b>200</b>



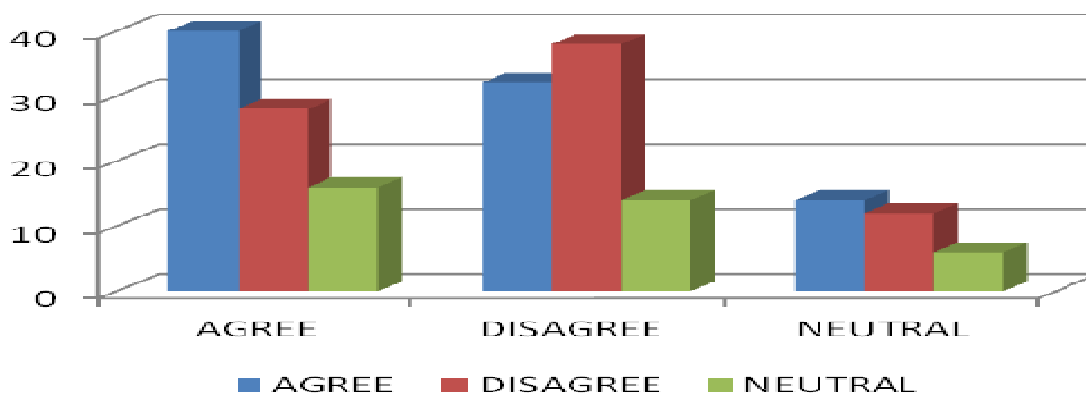
From the above graph we can see that 48 people are satisfied that there is equity of compensation amongst same level of employees and agree that the working environment is clean and satisfactory.

30 are satisfied that there is equity of compensation amongst same level of employees but disagree that the working environment is clean and satisfactory. 20 are dissatisfied that there is equity of compensation amongst same level of employees but agree that the working environment is clean and satisfactory.

42 neither agree that there is equity of compensation amongst same level of employees nor agree that the working environment is clean and satisfactory. 6.0 are neutral on their opinion

#### Q4 -Q20

Q4 – Q20	AGREE	DISAGREE	NEUTRAL	Total
AGREE	40	32	14	86
DISAGREE	28	38	12	78
NEUTRAL	16	14	6	36
<b>Total</b>	<b>84</b>	<b>84</b>	<b>32</b>	<b>200</b>



From the above graph we can see that 40 people are satisfied with working environment and agree that their job is enhancing their social prestige.

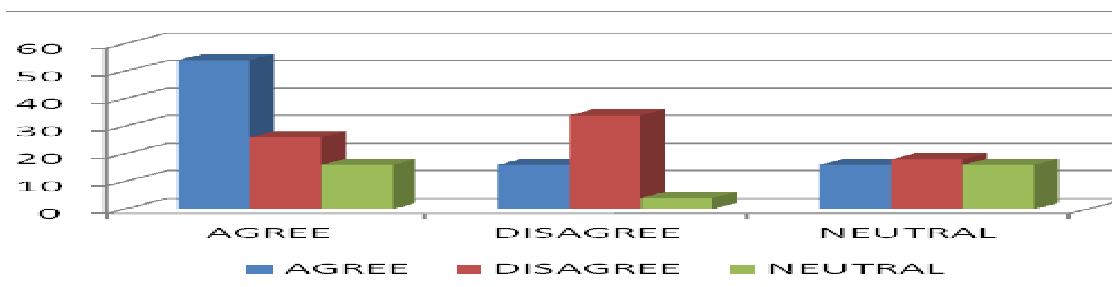
32 are satisfied with working environment but disagree that their job is enhancing their social prestige. 28 are dissatisfied with working environment but agree that their job is enhancing their social prestige.

38 are neither satisfied with working environment nor agree that their job is enhancing their social prestige. 62 are neutral on their views.



#### Q4 – Q5

Q4 – Q5	AGREE	DISAGREE	NEUTRAL	Total
AGREE	54	16	16	86
DISAGREE	26	34	18	78
NEUTRAL	16	4	16	36
<b>Total</b>	<b>96</b>	<b>54</b>	<b>50</b>	<b>200</b>



From the above graph we can see that that, 54 people are satisfied with their working environment and agree that they have to work extra time to fulfill target which causes stress.

16 people are satisfied with their working environment but disagree that they have to work extra time to fulfill target which causes stress. 26 people are dissatisfied with their working environment but agree that they have to work extra time to fulfill target which causes stress.

34 are neither satisfied with their working environment nor do they agree that they have to work extra time to fulfill target which causes stress. 70 are neutral on their opinion.

#### MAJOR FINDINGS:

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 causes stress.
6. Majority of the respondents agree that their job is enhancing their social prestige.

#### CONCLUSION:

In this research work, we have examined the reasons of attrition in insurance sector. We are concerned to show the factors what the employees consider the reasons to ascertain the Quality of Work Life in this process. We have collected primary data from the employees of different insurance companies and examined. All the attributes have highest value with their corresponding factors. From the above discussion, We can conclude that 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 expenses rather than investment. Resulting, employees face a great difficulty to sustain the job. If we consider the factors which is related to the quality of work life, in that case Degree of employment conditions are one of the curtail factor for attrition. If we consider degree of equitable reward, then those who work or able to fulfill their target, get handsome money as incentives. Full time employees get salary plus incentives and part time employees get only incentives. It is somehow frustrating for the part time sales personnel for their future benefits, as company does not contribute anything in that part. Trust between the colleagues is not from within as all of them are trying to fulfill their objective. Insurance Company can recruit more part time employee and reduce the target or distribute the target among them, then it will be an excellent opportunity to all part time and full time employee to fulfill their target and the attrition rate will be reduced. Since the data we got were too

small to put that into chi square test, the results may vary if we have put much more data. Future research scope is always there.

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