



ATTRITION AMONG THE AGENCY FORCE OF THE LIFE INSURANCE INDUSTRY: AN EXPLORATORY STUDY

Kaustav Paul Senior Research Associate, INLEAD, Gurgaon

Chhaya Gupta PhD Scholar, INLEAD, Gurgaon

Khushboo Singh Senior Vice President, INLEAD, Gurgaon, k.singh@inlead.in, +91-9560293114

Deepak Sharma Dean, INLEAD, Gurgaon, d.sharma@inlead.in, +91-9560293107

ABSTRACT

Life insurance industry in India is experiencing a consistent decay of agency force which is hampering the growth prospect of the industry and thus, the time calls for to frame a proper retention model. This article is the outcome of the exploratory study that was conducted to determine the factors behind the decay of the agency force. A market survey was conducted among 133 insurance agents in the Delhi-NCR from two leading insurance organizations in order to acquire insights about the turnover problem in the life insurance industry. The study yielded a five factors' model which depicted the Organizational Attributes that stimulate the turnover intentions among the sales force. The study also endeavored to construct a scale for measuring the Turnover Intention among the sales force and the attempt yielded a three factors' model. Reliability analysis through Cronbach's alpha revealed high internal consistency for the model.

KEYWORDS : Employee Turnover, Life Insurance Industry, Sales Force Attrition, Exploratory Factor Analysis, Reliability Analysis, Cronbach's Alpha

INTRODUCTION

Life insurance industry is a human intensified industry where the agency force is the key factor behind the growth of the industry, according to the opinion of the Managing Director of HDFC Standard Life, "agents are must without which industry cannot grow" (The Economic Times, 11-08-2015). However, the attrition rate in the life insurance sector of India is staggeringly high (Economic Times, 11-08-2015). According to the report, the industry, which presently comprises of 24 companies, started the financial year with a total agency force of close to 20.67 lakhs. However, it became leaner by around 60,000 agents to nearly 20.07 lakhs of agents in the June quarter. The study of the attrition in the life insurance industry of the country reveals that the industry is going through a constant decay of agency force and that the exodus of around 60,000 agents in a span of three months was not a sudden shock to the industry. Research reveals that the agency force was approximately 21.77 lakhs on June 30, 2014 only to become around 20.07 lakhs on June 30, 2015 i.e. as many as 1.70 lakhs of agents chose to leave the industry in 1 year. Most surprisingly, the worst hit player by the attrition in the industry was the state owned Life Insurance Corporation, which has lost around 79,000 agents during the reporting period while the private sector life insurers witnessed an exodus of approximately 95,000 agents during the reporting period. Such a consistent outflow of the manpower from the industry calls for a thorough study on the turnover problem in the industry.

According to Beach, Brereton and Cliff (2003), the term "turnover" signifies the attrition of employees which create vacancies within an organization. The turnover can happen due to resignation, transfers, dismissals or the termination of fixed term contracts (Pathak&Tripathi, 2010). The purpose of the study was to explore the factors that are driving the consistent decay of the agency force in the industry.

NEED OF THE STUDY

Past researches and literatures suggest that employee turnover acts as a negative force in the growth of an organization and have serious negative economic impact upon the organizational health. Abbasi and Hollman (2000) revealed in their study that if the employee turnover exceeds a limit then it stimulates far reaching consequences and can also jeopardize the measures to achieve the organizational goals and objective. According to Hale (1998), the employers cited that the recruitment cost of an employee was around 50-60% of the employee's first year's salary, while for some specialized profiles, it could go

up to 100% of the first year's salary. Hence if the employee leaves in a very short span of joining then the organization does not reach even at the breakeven point of recruiting the employee.

Mirvis and Lawler (1984) postulated that quality of working life was related with employees' satisfaction with wages, hours of working and working conditions. They described that the "basic elements of a good quality of work life" were safe work environment, parity in wage structure, equal employment opportunities and career advancement opportunities. A study by Rahman, Raza and Naqvi (2008) revealed that while job satisfaction had a negative effect on turnover intention, it had a positive correlation with perceived alternate job opportunity. Van Dick et al. (2008) also stated that job satisfaction was a predictor of turnover intention. In the life insurance landscape in India, study by Pathak and Tripathi (2010) emphasized on recruitment, retention and attrition of sales force. However, the study adopted a three factor model that explained 7 probable reasons for the sales force to leave the organization.

Though there have been studies on employee attrition, not a lot of studies were being conducted in the landscape of Indian Life Insurance industry. Also, the factor "turnover intention" was not being studied extensively. The term "turnover intention" explains the behavioral intentions of the employees which express that the employees might leave the organization (Steel &Ovalle, 1984). A subject like attrition should be extensively studied so as to understand the latent variables that describe the "turnover intention" among the agency force along with the exploration of the factors that stimulate the "turnover intention" among the agency force.

This study aimed to bridge the existing gap in the research through construction of scales that would capture the "turnover intention" among the agency force along with exploring the factors that stimulate the "turnover intention" among the agency force in the life insurance industry of Delhi -NCR.

OBJECTIVES OF THE STUDY

- To construct the scales for Turnover Intention
- To identify the Organizational Attributes that trigger turnover intention among the sales force in the insurance industry
- To check the reliability and the internal consistencies of the scale implementing Cronbach's Alpha

RESEARCH METHODOLOGY

The nature of the study was exploratory since it endeavored to explore the factors that lead to employee turnover among the sales force in the insurance sector and also to construct the scales for measuring Turnover Intention among the employees. The study also aimed to check the reliability of the scales. To achieve the objectives of the study, Exploratory Factor Analysis was implemented and Cronbach's alpha was used to determine the reliability.

SAMPLING FOR THE STUDY

Purposive random sampling was used in this study. In purposive random sampling, the major stakeholders are identified who play a major role in designing the program or service being evaluated along with giving, receiving or administering the same, and who might also be impacted by it (Ted Palys, 2008).

The permission to collect the data from the two leading insuring organizations was sought under the condition of not revealing the names of those insurance organizations. Therefore, the insurance organizations would be termed as "A" and "B" respectively. List of respondents was received from HR department. Participants were contacted in their organizations. Participants were briefed about the purpose of the study and proper instructions were given. The participants were assured of the confidentiality of their participation.

The total number of questionnaires distributed was two hundred, one hundred for each insurance organization. The rate of return was 66.5% i.e. 133 filled up questionnaires were received. Hence, the final considered questionnaires for the study were 133. The demographic distribution of the sample is given in the Table 1.

Table: 1
Respondents' Profile

Dimensions	Category	Percentage of Respondents
Insurance Organization	A	46
	B	54
	Male	52.6
Gender	Female	47.4
	21-30	52.6
Age	31-40	39.8
	41 and above	7.6
	Not Graduate	13
Education	Graduate	70.4
	Post Graduate	16.6
	Officers	50.4
Designation	Sr. Officers	30.8
	Manages	18.8
	< 2 years	31.6
Experience (Years)	2 to 5 years	46.6
	> 5 years	21.8

As illustrated Table 1, it could be found that a little more than 50% of the respondents were male, while around 48% of the respondents were female. Around 53% of the respondents belonged to the age group of 20-30, while only around 8% of the respondents were above 40 years of age. In the same line, majority of the respondents, 70.4% were Bachelor holders. Almost half (50.4%) of the respondents were officers. It could be noticed also that a significant percentage of the respondents, 46.6%, had an experience between 2-5 years.

FACTOR ANALYSIS

The questionnaire consisted of three parts. The first part was about the personal and demographic information. The second part was about measuring turnover intention. The third part was about the organizational attributes that might lead the employees to leave their present organizations.

The items were given the format of a proper questionnaire along with instructions in order to carry out the empirical evaluation of these items. A five point Likert type scale with the following anchors: "Strongly disagree", "Disagree", "Undecided", "Agree", "Strongly Agree" was used to score the statements.

TEST OF RELIABILITY AND VALIDITY OF THE SELECTED ITEMS

In order to determine the construct validity, factor analysis was carried out with Principal Component Method and Varimax rotation. The purpose of factor analysis was to obtain theoretically meaningful dimensions pertaining to the study.

Before conducting factor analysis, the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) and Bartlett's test of Sphericity was carried out to see the suitability of the factor model. The KMO for both the Turnover Intention and for the Organizational Attributes were above 0.60 (0.88 for Turnover Intentions and 0.89 for Organizational Attributes). Similarly, the Bartlett test for Sphericity was found to be significant (1.02 for Turnover Intentions and 2.05 for Organizational Attributes; $p < .000$).

The items to be retained in any factor were selected on the basis of the following criteria.

- The selection was constrained using the criteria of Eigen values > 1.00
- Meeting the criteria of factor loading generally not less than .50

DATA ANALYSIS

Table: 2
Final Selected Items for Turnover Intention

Factors	Statements	Factor Loading
Organizational Belongingness	I do not feel a strong sense of belongingness to organization	0.74
	I do not feel as if this organization's problem as my own	0.83
	I do not feel like "part of the family" at my organization	0.64
	I feel "emotionally attached" to this organization	0.58
	The organization has a great deal of personal meaning to me	0.65
Organizational Sustenance	I want to spend the rest of my career in this organization	0.64
	I have immediate plan to leave this organization	0.82
	The thought of leaving this organization disturbs me	0.80
	Given a chance, I would not choose to leave this organization	0.57
Job Hunting	I often think of quitting this organization	0.76
	I am looking for the right profile for leaving the organization	0.81
	If I get better salary, I will quit the organization immediately	0.72
	I think it is the perfect time to explore new opportunities	0.77
	I don't think the work will suffer if I leave	0.71

Table: 3
Eigen Values and Percentage of Variances explained by three factors of Turnover Intention Factors

Factor	Eigen Value	% Variance Explained By The Factors	Cumulative % Variance
JH	6.74	48.1	48.1
OB	1.33	9.55	57.65
OS	1.1	7.54	65.39

Table: 4
Cronbach's Alpha Reliabilities of Turnover Intention and its subsets (N=133)

Dimension	No of Items	Coefficient of Alpha
JH	5	0.88
OB	5	0.84
OS	4	0.80
TI	14	0.87

Table: 5
Final Selected Items for Organizational Attributes

Factors	Statements	Factor Loading
Lack Of Job Satisfaction	Dissatisfied with the compensation	0.78
	Job insecurity	0.79
	Lack of challenge in the job	0.79
	Monotonous nature of job	0.75
	No career advancement opportunity	0.57
	No opportunity to learn new things	0.56
Hostile Work Environment	Incompatible policies	0.52
	Lack of team work	0.64
	Dissatisfied with colleagues	0.82
	Power and politics in the organization	0.72
	No time for family	0.77
	Irregular working hours	0.72
Career Advancement Opportunity	Bigger brand	0.77
	Better salary	0.69
	Challenging role	0.62
	New learning opportunity	0.78
Lack of Reward and Recognition	Lack of recognition	0.68
	Lack of incentives for better performance	0.61
	Untimely appraisals	0.73
	Low perceived value	0.75
Lack of Leadership	Poor mentoring	0.62
	Ineffective leadership	0.79
	Autocratic leadership	0.68

Table: 6
Eigen Values and Percentage of Variances explained by five factors of Organizational Attributes

Factors	Eigen Values	% of Variance Explained By The Factors	Cumulative % of Variance
Lack of job satisfaction	10.80	46.94	46.94
Hostile work environment	1.90	8.28	55.22
Career advancement opportunity	1.40	6.10	61.32
Lack of reward and recognition	1.24	5.40	66.72
Lack of leadership	1.10	4.68	71.40

Table: 7
Cronbach's Alpha Reliabilities of Organizational Attributes and its subsets (N=133)

Dimension	Number of Items	Cronbach's Alpha
Lack of job satisfaction	6	0.88
Hostile work environment	6	0.89
Career advancement opportunity	4	0.86
Lack of reward and recognition	4	0.82
Lack of leadership	3	0.76

FINDINGS OF THE STUDY

Turnover Intention

Results of factor analysis yielded a three factors' solution, interpretable in terms of three distinct scales for Turnover Intention. These were Job Hunting (JH), Organizational Sustenance (OS) and Organizational Belongingness (OB). The three factors accounted for 65.7% of variance. It means that these three factors could explain 65.39% of the variable Turnover Intention. The factors and the corresponding variables were given in Table 2.

Table 3 showed that Factor I (JH) has an Eigen value of 6.74, which explained 48.10% of the total variance, whereas Factor II (OB) has an Eigen value of 1.33 and explained 9.55% of the total variance. Factor III (OS) has an Eigen value of 1.10 and explained 7.54% of variance. The total variance explained by the three factors was 65.39%.

In order to establish the internal consistency and reliability of the Turnover Intention construct and its three factors, Cronbach's alpha was computed and the results are given in Table 4. Results in Table 4 showed a satisfactory level of reliability coefficients for the three subsets of TI. It ranged from 0.80 to 0.88, indicating a good internal consistency for TI Questionnaire and its three subsets. The reliability of the TI construct was 0.87.

Organizational Attributes

Results of factor analysis for Organizational Attributes yielded five factors of Organizational Attributes and labeled as Lack of Job Satisfaction, Hostile Working Conditions, Career Advancement Opportunity, Lack of Reward and Recognition and Lack of Leadership. The five factors accounted for 71.40% of variance which means that these five factors explained 71.40% of OA variable. The factors along with the variables comprising the factors are given in Table 5.

Table 6 showed that Factor I (Lack of Job Satisfaction) has an Eigen value of 10.80, which explained 46.94% of the total variance, whereas Factor II (Hostile Working Conditions) has an Eigen value of 1.90 and explained 8.28% of the total variance. Factor III (Career Advancement Opportunity) has an Eigen value of 1.40 and explained 6.10% of variance; while Factor IV (Lack of Reward and Recognition) and Factor V (Lack of Leadership) have Eigen values of 1.24, 1.10, and explained 5.40%, 4.68% of the total variance respectively. The total variance explained by the five factors was 71.40%.

In order to establish the internal consistency and reliability of the Organizational Attributes questionnaire and its five factors, Cronbach's alpha was computed and the results were shown in Table 7. Results in the Table 7 showed a satisfactory level of reliability coefficients for the five factors of Organizational Attributes construct. It ranges from 0.76 to 0.89, indicating a good internal consistency for Organizational Attributes construct and its five factors. The reliability of the Organizational Attributes construct was 0.86.

CONCLUSION

The finding of the result bears an analogy with Maslow's hierarchical model. In Maslow's hierarchical model, the primary factor at the base was the physiological needs, while the self-actualization need was at the summit of the pyramid. In this study, it was being revealed that the factor "Lack of Job Satisfaction" which was comprised of variables like "Dissatisfied with compensation", "Job Insecurity" etc. to be one of the key factor behind the turnover intention among the agency force, while more complex factors revealed in the study like "Career Advancement Opportunity" could be linked with "Self-Actualization" factor of Maslow's hierarchical model.

The result and the findings of the study revealed that lack of job satisfaction to be a reason that caused "turnover intention" among the agents and thus the findings supported the results of Rahman, Raza and Naqvi (2008), which made similar observations. This study can also be linked with the postulations of Mirvis and Lawler (1984) regarding their theory of quality of working life. However, the uniqueness of this study was that it explored the life insurance industry of Delhi-NCR and from a primary survey figured out the factors that might drive the turnover of the agents.

RECOMMENDATIONS OF THE STUDY

The study adopted Exploratory Factor Analysis to explore the factors

that determine the Turnover Intention dimensions and the Organizational Attributes of an organization causing the turnover intention among the agency force. However, Confirmatory Factor Analysis should also be carried out in order to reconfirm the findings of the study. Also, the factors of Turnover Intentions and Organizational Attributes can be used to find the inter-relationship between the dimensions of Turnover Intentions and Organizational Attributes. Once the key Organizational Attributes are confirmed and their impact on Turnover Intention among the agency force is investigated, then a proper retention model can be prepared so as to retain the best talents. The retention model can use the scales of "Turnover Intention" to capture the behavioral intention to leave among the agency force. If the model turns out to be successful then it can be extended to the other sectors and industries as well.

REFERENCES

1. Abbasi, S., and K. Hollman. 2000. Turnover: The real bottom-line. *Public Personnel Management*, 29 (3): 333-42.
2. Abdul Rahman, S. M., M. RazaNaqvi, and M. Ismail Ramay. 2008. Measuring turnover intention: A study of it professionals in Pakistan. *International Review of Business Research Papers*, 4 (3), 45-55.
3. Beach, R., D. , Brereton, and D. Cliff. 2003. Workforce turnover in FIFO mining operations in Australia: An exploratory study. Brisbane: Brisbane Centre for Social Responsibility in Mining.
4. Bowen, H. R., and J. H. Schuster. 1986. *American professors: A national resource imperiled*. New York: Oxford University Press.
5. Elangovan, A. R. 2001. Casual ordering of stress, satisfaction and commitment, and intention to quit: A structural equation analysis. *Leadership & Organization Development Journal*, 22 (4), 159-65.
6. Hale, J. 1998. Strategic rewards: Compensation and benefits management. *Management*, 14 (3), 39-50.
7. Lyon, H. L., J. M. Ivancevich, and J. H. Donnelly. 1970. A motivational profile of management scientists. *Operations Research*, 19 (6), 1282-99.
8. Maslow, A. H. 1943. A theory of human motivation. *Psychological Review* , 50, 370-396.
9. McGregor, D. 1960. *The human side of enterprise*. New York: McGraw-Hill.
10. Pathak, S., & Tripathi, V. 2010. Sales Force Turnover: An Exploratory Study of the Indian Insurance Sector. *Management*, 5(1), 003-019.
11. Roberts, T. B. 1982. Comment on Mathes's article. *Journal of Humanistic Psychology* 22 (4), 97-98.
12. Rogers, P., and D. J. Peccoud. 2005. Leading from the front. http://www.bain.com/bainweb/publications/publications_detail.asp?id=24349&menu_url=publications_results.asp.
13. Shoura, M. M., and A. Singh. 1998. Motivation parameters for engineering managers using Maslow's theory. *Journal of Management in Engineering* 15 (5), 44-55.
14. Agent Attrition Remains High, Life insurers lose 60,000 in Q1, http://articles.economicstimes.indiatimes.com/2015-08-11/news/65452291_1_agency-force-9-lakh-agents