

## **TALENT RETENTION ISSUES IN FINANCIAL SERVICES: A CASE OF THE INSURANCE SECTOR OF INDIA**

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### **ABSTRACT**

“Selecting a right person for the right job is job half done”. However, one of the biggest and most complex challenges being faced by the modern organizations is “retaining” this “right person”. “Talent Retention” refers to the ability of an organization to prevent valuable and talented employees from leaving their jobs and, in turn, the organizations as long as possible. In other words, effective talent 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. This concept has gained immense momentum in the present day. Because of intense cut-throat competition, huge “talent war” among companies, ever-changing technology, increased job-hopping and economic uncertainty, the challenge of “retention” has magnified manifold.

Despite the challenge and difficulty, retaining the right type of talent in the organization is pivotal for the survival of that organization. Retention of key employees is extremely critical to the long-term health and success of any organization.

Insurance sector, presently, is one of the booming sectors of the economy of India, with a growth rate of 15-20 percent per annum. Along with the banking services, it contributes about 7 percent of the country’s GDP. From employment point of view also, this sector is growing vertically and horizontally. It is one of the most intensively people-oriented business and in this scenario, for such a sector, human resource will be the undoubted differentiator. However, this sector, like the IT industry is still bothered by the menace of high attrition rate. Research has shown that in this sector, the attrition rate goes up as high as 35 percent in the first year of recruitment itself. Though this rate slows down with the years passing, yet the rate remains high enough to bother the company. Whoever these organizations hire and train, leaves them half way through to a new entity and these organizations are forced to hunt and hire new hands. This cycle has been continuing now for quite some time, in turn, hampering the growth of the organizations.

In this paper, an attempt is made to bring forth and understand the intricacies and issues related to retention of valuable talent. In addition, it is also attempted to suggest new ways of fighting the menace of “attrition” in the insurance sector.

## **INTRODUCTION**

The Oxford Dictionary defines “talent” as a special natural ability or aptitude that is innate or inborn in an individual.” In simple words, talent speaks of “what one is good at.” From the organizational point of view, talent is linked with reason, intelligence, initiativeness and strong interpersonal ability, networking with people, creativity and innovation, ability to lead people, team-spirit and emotional intelligence (Berk 2004). Hence, this talent is extremely vital for the survival of an organization. Therefore, it is said, “Selecting the right talent is job half done.”

Today, the issue of scarcity of the right type of talent is rampant, affecting different sectors, such as IT, Financial Services, Airlines, Health Care, etc... Acquiring the right talent, placing it at the most appropriate position and retaining it as long as possible is a major challenge for the business houses.

## **THEORITICAL BACKGROUND**

The term “talent retention” first began to appear with regularity on the business scene in the 1970s and early ‘80s. Until then, during the early and mid 1990s, the essence of the relationship between employer and employee had been (by and large) a statement of the status quo :- “you come work for me, do a good job, and , so long as economic conditions allow, I will continue to employ you.” It was not unusual for people who entered the job market as late as the 1950s and 60s to remain with one employer for a very long time, sometimes for the duration of the entire worklife. In the 1970s and later, as job mobility and voluntary job changes began to increase dramatically, the status quo model began to fray substantially at the edges. Employees found themselves with a new phenomenon to consider – “Employee Turnover”. As organizations began to feel the impact of employee turnover, so a matching management tool began to be developed – “Employee Retention”.

The reason of turnover vary from external environmental factors such as economy and its impact on turnover such as employment level, inflation (Pettman, 1975; Mobley, 1982) to the organizational variables such as type of industry occupational category, organization size, payment, supervisory level, location, selection process, work environment, work assignments, benefits, promotions and growth (Mobley, 1982; Arthur, 2001). The other turnover factors are related to the individual work variables such as demographic variables, integrative variables like job satisfaction, pay, promotion and working condition (Pettman, 1975; Mobley, 1982; Arthur, 2001). The last perspective is the individual non-working variables such as family variables (Pettman, 1975; Mobley, 1982).

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. Much research indicates that people

often make decisions to leave because of their supervisors' treatment with them. Hence it only makes sense to consider ways of improving managers' treatment of workers.

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.

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

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.

## **TALENT RETENTION – WHAT & WHY**

With the job market reviving, the employees are increasingly jumping ship. In fact, it is generally seen, that the talented employees are the one who are extremely vulnerable to poaching, especially by the competitor organizations. This leaves the concerned organization with huge costs and losses that are either irrecoverable or take immense time to recover. These costs are both tangible as well as intangible. Tangible costs include recruitment costs, training costs, etc.. There are also certain costs not reflected in the budget such as loss of an intellectual because of intense cut-throat competition, huge talent-war among companies, ever-changing technology, increased job-hopping and economic uncertainty, the challenge of 'retaining' or 'holding back' the precious talents has magnified manifold. Organizations have woken up to the

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call and realized that despite the challenge and difficulty, retaining the right person is pivotal for the survival of an organization. In this scenario, the concept of “talent retention” has gained huge momentum.

“Talent Retention” refers to the ability of an organization to prevent valuable and talented employees from leaving their jobs, and in turn, the organization as long as possible. In other terms, effective talent 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. It is an endeavour by an organization to hold back and clutch to its talented people as tightly as possible.

Nevertheless, the corporate houses need to keep this in mind that talent retention is not just retaining a single or few talents or employees, but, it is the future of retaining the competitive sustainability of the key asset of any organization. They should aim at minimizing the “deliberating forces” and maximizing the “retentive forces”. Such endeavour is being made by business world giants like Tata Group, Aditya Birla, Infosys, TCS and Reliance.

## **ATTRITION SCENARIO OF INSURANCE SECTOR**

Insurance comes under the purview of financial services. It is presently one of the booming sectors of the economy of India, with the growth rate of 15 to 20 percent per annum. Along with the banking services, it contributes about 7 percent of the country’s GDP. From employment point of view also, this sector is growing vertically and horizontally. The National Skill Development Corporation (NSDC) has estimated that there will be more than 2 million jobs created in insurance and banking sectors by 2021. It is one of the most intensively people-oriented businesses, where human resource is the undoubted differentiator.

However, this sector, like the IT Sector, is still bothered by the menace of high attrition rate. Whoever these organizations hire and train, leaves them halfway through to a new entity and these organizations are forced to hunt and hire new hands. This cycle has been continuing now for quite some time, hampering the growth of the organizations.

Talking about the statistics of attrition, while job attrition ranging between 15 to 20 percent is quite common in the software sector, this pale out when compared with the turnover rate at the insurance sector. Conservative estimates put the attrition rates at 35 to 40 percent. This is generally the state of affairs in the first year of recruitment itself. As a very senior executive of LIC says, “The attrition rate is about 35 percent in the first year of recruitment. This goes down to about 18 percent by the fourth year. Most of these who drop out are non-performers.” Faced with a continuing shortage of trained personnel, the Indian mutual fund industry, for example, is beginning to use employee stock options to attract and retain quality employees. In addition some of the mutual funds have announced plans to institute a stock ownership program and are looking at employee stock option plans (ESOPs) as part of their overall human resource management process.

## **CHALLENGES TO TALENT RETENTION IN INSURANCE SECTOR**

Though the organizations have woken up to the call of talent retention, they have also realized that retaining employees is not a smooth process. The management has to face quite some hurdles during this. Yet, it is pivotal for the survival and sustainability of the organizations.

Some of the hurdles faced include:-

### **1) REALITY CHECK**

This talks about the gap between what the employees expect and what they actually get. With the growth of the insurance sector, employment avenues also open up. Many youngsters join it with the expectation of earning quick and easy bucks, working at one's own hours and climbing the ladder of career within a short span of time. Upto certain extent this seems true, especially when one finds prospective clients in their friends, neighbors and relatives. This does enable the new entrants, especially in sales, to earn some quick money. However, once these sources are exhausted, reality sinks in. And, this gives them neither easy money nor quick promotions. One tends to realize that it is a high pressure job, where sustenance requires constant networking and acquiring new relationships which in turn needs a lot of discipline. Further, gap also exists in the position and power experienced in the real scenario.

### **2) EXPECTATION GAP**

It should be kept in mind that an organization and a perspective employee are two different entities, each having their own way of working and expectations. The management is the linking factor. Many times, individuals, during and even after recruitment are not clear about the expectations and goals of the organization and their individual contributions towards it. They are in a dilemmatic state regarding the demands of the position they are holding in the organization. Initially, the new entrants gain certain perception regarding their roles, however, with increasing and ever-unfolding requirements and demands of the organization, anxiety and stress pile up.

Also, in many instances, especially in the insurance companies, it is seen that the real talent of an employee is not fully recognized and reaped.

So, in a way, there lies a gap between what the employee is really interested to do, what is he presently doing and what the organization expects from that employee in that particular position. This gap needs to be bridged if the organization wants to retain and further utilize the talent.

### **3) DYNAMIC ENVIRONMENT**

Nowadays, due to changing economic scenario, changes are being incorporated into the rules and regulations of various regulatory bodies. Not only this, these bodies compel and pressurize the organizations to follow the amended rules at once. This sometimes creates resistance, confusion and dissatisfaction among the employees.

#### **4) WORK HEAT**

Insurance is one of the most people-oriented sectors. This fact itself hints that the employees are always under the performance scanner. Besides, in this sector, organizational demands hardly give sufficient time to the new entrant to settle, learn and start performing. It demands immediate performance. This in turn creates huge pressure and becomes extremely demanding not only physically, but to a great extent mentally too. There is huge heat on the line functions. This pressure is mostly felt by the sales force and the middle management. Another reason being that insurance still needs to be sold to a reluctant populace. It is thus a high pressure job and needs sheer perseverance to excel in it.

#### **5) DREADED DEADLINES**

With work heat, come the dreaded deadlines. The insurance sector is highly target-oriented. The growth and effectiveness of the organization is influenced by the targets achieved in the set time limit. However, it is generally noticed that for many employees these deadlines become sources of tension, stress and frustration, leading to resignations.

#### **6) COMPETITIVE COMPENSATION**

Literature considers that today also compensation is one of the biggest factors that decide whether an employee wants to continue in a particular company or switch job. In fact, the star performers are the ones who are most vulnerable to this factor. Comparison with counterparts working in other organizations, studying the competitive pay prevailing in the job market, perceived worth of one's job and such other factors influence an employee.

#### **7) DEVIATED JOB PROFILE**

Many a times, especially in the middle management, employees face this issue. Deviated job profiles talks about the gradual deviations (mostly in the form of additional responsibilities) that take place in terms of job profile. In simple words, we can say that the tasks and assignments which had been agreed upon by the employees during their recruitment keeps on changing with time. Managers are asked to handle some additional works, besides their normal profile. This is a result of stiff competition, need for being job flexible, squeezing deadlines, aspiration for being the market leader and also when the organization is on a cost cutting spree.

#### **8) PERFORMERS' POACHING**

This is rampant in the present situation. With cut-throat competition all around, competitor organizations are always on a look out to poach away the star performers of their counterpart companies. This is generally done by offering better pay package or higher position. Study has also shown that the good performers are normally the ones who tend to switch jobs easily, as opportunities are always available. Besides, many organizations have the "employee referral

schemes”, which motivates employees of the organizations to refer known candidates from their previous organizations.

## **9) ORGANIZATIONAL MATTERS**

The issues under this are the values and culture that the management instills in the organization. It also points to the true credibility of the organization. In due course of time, the employees tend to scrutinize and critically assess such aspects. Further, Indian companies face a string of ups and downs. The business earned today may not be there tomorrow. Hence, in this situation, when things are in turmoil, employees feel insecure and tend to hop jobs quickly.

## **10) WORKING CULTURE**

For the Gen Next employees, this is one of the most important factors affecting attrition. Today’s youth wants a professional environment and international style working culture. This is also a result of the changing life style. Besides, freedom, learning opportunities, friendly environment, good treatment from colleagues and seniors, encouragement and motivation also have huge impact on the attitude and opinion that these young employees carry about the organization.

## **11) MANAGING TALENT**

Another significant issue that needs attention is effective talent management. The organizations may have extremely talented employees, but are their talents being properly utilized by the management. The management fails to identify the real talent of employees and utilize it. This creates a gap between their ability and the extent to which it is being utilized. As the gap widens, it results in attrition.

## **12) EMPLOYEE’S ADVOCATE**

Employees’ grievances also become the reason for their leaving a particular job. It is normally said that employees do not leave organizations, rather they leave bosses. This results due to unsolved problems and issues that the employees have been encountering in that organization. It may be related to their reporting managers or their careers or their jobs itself. Here comes the role of the HR Professional. The organization’s overall plans and strategies also depend on the HR Professionals as they voice employees’ problems and requirements. However, there is a marked gap between employees and the HR professional, in terms of understanding challenges and delivering requirements. This is sheerly due to lack of a genuine interest on the part of the HR.

## **OVERCOMING THE CHALLENGES – SOME RECOMMENDATIONS**

The following suggestions may be put forth to overcome the hurdles posed during talent retention:-

- a) On analyzing the factors in depth, it can be seen that one of the most important issues faced by the insurance sector is at the initial stage itself in the form of “inefficient and

faulty recruitment and selection process”. Though there may be time pressure, but the management should not compromise with the quality of candidates being taken in. In other words, the criteria to be fulfilled by an employee to be able to perform a task must be intact while selecting new candidates. A fair and transparent system should be designed, where only those candidates can be screened who have a genuine knowledge and interest about the particular work to be done. It may be difficult due to the time pressure, but in the long run it will help in retaining the talented people. Again, for candidates who might not be well versed with the role to be played, a clear picture of the position being offered should be given.

- b) The insurance companies must focus on providing better financial benefits to their employees, as compensation is still one of the biggest factors for employees leaving their jobs.
- c) There should a clearly defined career path, which should be communicated to all employees in the organization. Also, the management must make the employees realize that it is ready to give timely promotions to them if their performance is as desired.
- d) The management should provide in-house trainings and also send the employees out for attending developmental programs in other institutions. This will give them an opportunity to interact with their counterparts in other companies remain updated with the happenings in the business world.
- e) Another very important aspect is that the management must make the employees feel valued. This can be done through good treatment to all employees irrespective of their positions. Further, management must recognize and award good performance. Even a small achievement must be appreciated in front of other employees. This will also keep the employees motivated, who will be further willing to improve their performances. Another way of doing this is by creating a sense of belongingness for the organization through ESOPs (Employee Stock Options) Schemes.
- f) Behavioral science training sessions should be conducted at regular intervals. Through these, the management can de-stress the employees, inculcate positivity within them and also instill into them the values and morals held high by the organization. There can also be an interactive session, where the management can try to understand the values and morals of the employees and integrate them with the organization’s system.
- g) Further, to give a boost to the career of employees, the organizations can have tie-ups with educational institutions providing various insurance-related courses, and also sponsor star performers to enroll for such courses. This will make them feel priced and bring about greater loyalty towards the organization. Further, the management can provide monetary benefits to the employees who successfully complete these courses.
- h) Many of the insurance companies do not give much importance to strategizing employee retention. Rather, these companies should make employee retention an important part of their main corporate strategy. Also, for making this more effective, the management



should involve employee representatives while making such plans. Because, the employee representative knows and can put forth the real factors leading to dissatisfaction, and hence can suggest better ways to enhance employee retention.

- i) It is suggested that the HR professional can call for a “Monthly Grievance Meeting” which is an interactive session with the employees. In this, various issues faced by the employees related to their reporting bosses, their jobs, the working environment and their career and even any other factors that disturb them in performing jobs can be discussed. This will bridge the gap between the employees and the HR and thus help the HR professional to understand employees’ perspective on different issues. Further, it can be a way of bridging miscommunication that might have taken place. The HR can even use this session to win the support of the talented workforce.
- j) “All work and no play make Jack a dull boy” can be rightly put in the context of insurance sector for the over-stressed employees. Fun and humor must be made a part of the work place. This can be done by having different funny competitions in the workplace like a karaoke competition, awarding one who cracks the funniest joke, awarding one who has committed the silliest mistake in work and other such activities once in a month. Management must keep in mind that boring meetings are enemies of effective creative communication. Hence, making humor the KPI of meetings can be a good idea.
- k) Employees are a huge source of creativity and innovation. The management must give an opportunity to the young employees to deviate from the conventional way of working and try their own creative way of doing their work. This will polish their creativity, make their jobs more enriching for them and in turn benefit the organization. Even awards can be given to the employee who adopts the most unique method amongst all.

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