

Causes of Attrition, Impact on Insurance Industry

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ABSTRACT

As employees are the brain of insurance industry, one of the most emerging is the scarcity of skilled human resource in many sector and the ever rising rate of attrition that always continues to haunt the employers. A major difference has been perceived specifically in case of private sector employees, whose attrition has been on the higher side. There are number of causes that not only adds up to the cost of the organization but also creates a negative psyche among employees. This study attempts to identify the several causes and their impact which are occurs after leaving organization in particular insurance sector. This study also tries to formulate a relationship between impacts of attrition and suggests some remedial measures to reduce attrition at a certain level.

I. INTRODUCTION

Employee attrition refers to the loss of employees through a number of circumstances, such as resignation and retirement. The cause of attrition may be either voluntary or involuntary, though employer-initiated events such as layoffs are not typically included in the definition. Each industry has its own standards for acceptable attrition rates, and these rates can also differ between skilled and unskilled positions. Due to the expenses associated with training new employees, any type of employee attrition is typically seen to have a monetary cost. It is also possible for a company to use employee attrition to its benefit in some circumstances, such as relying on it to control labor costs without issuing mass layoffs. Causes of attrition (source: By Geraldine Garner, the magazine for professional engineers 2008). Business leaders often go to great lengths to attract top employee talent, and many businesses incur considerable expense bringing new employees on board. These efforts invest to leave business owners frustrated when employees leave, though, so savvy entrepreneurs must understand the causes of attrition to retain valuable employees.



An organization is as good as its people, and nobody can deny the fact that manpower is the greatest asset of a company. Moreover high attrition rates incur major costs to the company including recruiting expenses, training expenses, unemployment insurance and guest service of a quality less than one has been striving for (Mullins, 1998). Although the impact of employee turnover is same on Insurance industries as in other organisations but being a service industry it faces more problems then the one's mentioned above.

As per an article (articlebase.com, 2007), Employee turnover figure in the Insurance industry is a whopping 50%, enough to make employers lose sleep over the tangible and intangible costs of employee turnover. Turnover has an immediate effect, particularly in customer service-dependent areas of the business. A vacant position means more work for the remaining employees, without making a compromise on the customer service front. Little wonder then, that Insurance companies with low turnover rates report higher customer satisfaction and higher profits.

As cited by Alderman, H and J. R. Behrman (1999), service in the Insurance and tourism industry involves an interpersonal transaction that takes place between a customer and a complex human delivery system. It is the interaction between the frontline employee and the customer, known as the "service encounter" or the "moment of truth," that has the most direct impact on the customer's level of satisfaction and overall perception of the organisation. However, all employees play a role in the service delivery process. To ensure consistently high service, it is important that these human resources be well-managed and that their talents be fully utilised.

LITERATURE REVIEW

Various articles and publications have been written by many researchers on Indian retail industry with different focuses; some of their key findings have been highlighted down here to have an overall idea. Behr, A., Bellgardt, E. and Rendtel, U. (2005) stressed on worldwide, retention of skilled employees has been of serious concern for organizations in the face of ever increasing high rate of employee turnover. Globally, managers admit that one of the most difficult aspects of their jobs was the retention of key employees in their organizations.

Hoonakker, P., Carayon, P., Schoepke, J., & Marian, A. (2004) listed 12 major retention factors that have been published in the literature over the last 60 years which helped in explaining employee retention. The study revealed that job satisfaction, extrinsic rewards, constituent attachments, organizational commitment, and organizational prestige were the most frequently mentioned reasons for staying. Advancement opportunities and organizational prestige were more common reasons for staying among high performers, and extrinsic rewards was more common among low performers.

Lynn, P., Buck, N., Burton, J., Jäckle, A. and Laurie, H. (2005) concluded that a number of studies offered support for a negative relationship between satisfaction with supervision and turnover. Maluccio, J. A (2004) explained retention was a critical element of an organization's approach to talent management. Empirical studies have shown that employees, on an average switch employers every six years. Replacing existing employees was detrimental to organizations and may have adverse effects on service delivery.

Baird et al (2008) defined the reasons for some of the high attrition rates observed above was the fact that some surveys do not make attempts to trace households or individuals who move during the intervening period. highlight the benefits and challenges of tracking individuals in panel surveys based on KLPS noted earlier. As part of the analysis of the long term impacts of providing de-worming treatments to school children, the KLPS sought to re-interview 7,500 primary school pupils originally surveyed in 1998. Due to extensive efforts to track individuals that moved—even across national borders, at least 85 percent of the original sample was resurveyed during 2003/05.

Lepkowski, J. M. and Couper, M. P. (2002) said there were also previous studies that examine the pattern of attrition in panel data from Uganda. Author was perhaps the first attempt to systematically examine the pattern and impacts of panel sample attrition—using the panel from the Integrated Household Survey (IHS) 1992/93 and the UNHS of 1999/00. As earlier noted, for this panel dataset, out of the targeted 1,398 households, only 1,103 households had consistent information. In terms of impacts of attrition, although the targeted panel households had relatively lower socio-economic status—compared to full 1992/93 sample, the authors find that differences between the matched and attriting households was not statistically significant. Furthermore, in terms of household characteristics, significant differences were observed for only the gender of the household head and the education attainment of the household head's spouse.

Glebbeck and Bax (2004), Staw (1980), explained employee turnover in organizations has received substantial attention from both academics and managers. Much of this attention has been focused on understanding its causes. Implicit in this approach was the assumption that turnover was driven by certain identifiable characteristics of workers, tasks, firms, and markets, and that, by developing policies to address these characteristics, managers might reduce the occurrence of turnover in their respective organizations. As noted by several observers, however, the consequences of

turnover have received significantly less attention from researchers. This lack of academic attention was particularly surprising given that industry studies have estimated the cost of turning over one employee earning \$8 per hour at \$3,500 to \$25,000. In this paper, we address this latter issue through empirical examination of the impact of turnover on operating performance at stores in a large retail chain. The key benefit of this research is to find the viability and the sustainability of the retail industry in Haryana. This proposal is mainly about the information's on the research methods, theoretical concepts and practical experiences from which the main research will be undertaken.

OBJECTIVES OF THE STUDY

In this context, the present research study was undertaken to:

- To identify the factors affecting Attrition.
- To find out the Impact of Attrition on the Performance of Insurance Sector.

RESEARCH METHODOLOGY

A total of 50 employers and 500 employees from insurance sector of Haryana were surveyed for this research study. Questionnaire method used for primary data collection. The sampling method chosen is simple random sampling which is a type of probability sampling. Sample Size 550 (50 employers +500 employees), the data is collected using a random sample of respondents. Respondents who have significant knowledge of the topic were identified and selected at random for questioning.

Questionnaire was designed keeping in mind the objectives of the study which were to analyze Causes and effect of Attrition in Insurance Industry and to find out the survival strategies adopted by employers. Both qualitative and quantitative data analysis is done in order to get deeper insights into the respondents. Larger the sample size greater is the precision or reliability when research is replicated. Secondary data was collected through research papers, Newspapers, journals, websites, books, project reports and so on. Constraints on time, manpower, limited places and costs have influenced decisions on the study sample size are the limitations of the Study.

RESULTS AND DISCUSSION

Causes for attrition

The Kruskal-Wallis Test was developed by Kruskal and Wallis (1952) jointly and is named after them. The Kruskal-Wallis test is a nonparametric (distribution free) test, and is used when the assumptions of ANOVA are not met. In this text we can find the all retaining and rejecting the hypothesis.

Next page table shown that Independent-Samples Kruskal-Wallis Test (U- Test) which explained about all the causes and their significant level of each causes. Following causes were those which are having less significant values and employees' seeking less important for leaving job such as Dissatisfaction with pay/ salary (.000, $P < .05$), Lack of incentive schemes (.000, $P < .05$), Lack of ESOP (.001, $P < .05$), Lack of retirement benefits (.008, $P < .05$), Lack of service bonus (.000, $P < .05$), Lack of Promotion opportunity (.024, $P < .05$), Lack of safety or working condition (.027, $P < .05$), Career in insurance sector is not viewed as secured (.046, $P < .05$), Inequitable work load distribution (.000, $P < .05$), Lack of stress management program (.039, $P < .05$), Lacks in identifying employee's development needs (.006, $P < .05$), Lack of induction programs (.000, $P < .05$), Centralization (.021, $P < .05$), Lack of trust & respect (.014, $P < .05$), Lack of job sharing (.004, $P < .05$), and Lack of recognition of performance (.009, $P < .05$) respectively.

Table 1

	Causes	Sig.	Retain/rejection of hypothesis
Pay/ Compensation	Dissatisfaction with pay/ salary	.000	Reject
	Lack of incentive schemes	.000	Reject
	Lack of annual increase in salary	.169	Retain
	Lack of ESOP	.001	Reject
Benefits	Lack of fringe benefits	.575	Retain
	Lack of retirement benefits	.008	Reject
	Lack of insurances schemes	.469	Retain
	Lack of travel allowances	.386	Retain
	Lack of service bonus	.000	Reject
	Lack of fixed Leaves	.237	Retain
Career advancement	Stagnation in career path	.869	Retain

& career plans	Lack of Promotion opportunity	.024	Reject
	Career in insurance is not viewed as secured	.046	Reject
Training & development	Lacking training opportunity.	.115	Retain
	Lack of Development planning	.557	Retain
	Lack of stress management program	.039	Reject
	Lacks in identifying employee's development needs	.006	Reject
	Lack of induction programs	.000	Reject
Awards & recognition	Lack of service awards	.267	Retain
	Lack of recognition of performance	.009	Reject
	Lack of recognition of culture & value diversity	.194	Retain
Work relationship	Lack of co-operation with other department	.593	Retain
	Lack of co-operation with in department	.575	Retain
	Uneasy relationship with peers	.307	Retain
	Uneasy relationship with supervisor	.724	Retain
	Lack of trust & respect	.014	Reject
	Backstapping at work	.856	Retain
Inappropriate supervision	Delay in resolving grievances & feedback	.610	Retain
	Biasness	.383	Retain
	Lack of mentoring	.639	Retain
	Lack of empower. & authority	.383	Retain
	Lack of guidance	.150	Retain
	Less sharing of information	.132	Retain
Working condition/ working environment & Facilities	Absence of flexible working hours	.127	Retain
	Target pressure	.168	Retain
	Physical stress with long & odd working terms	.228	Retain
	Conductive work culture or environment	.875	Retain
	Verbal abuse	.148	Retain
	Lack of safety or working condition	.027	Reject
	Inequitable work load distribution	.000	Reject
	Poor Canteen facilities	.861	Retain
	Inappropriate resources and equipment	.417	Retain
Management	Dissatisfaction with management style	.180	Retain
	More interference of management	.079	Retain
	Centralization	.021	Reject
	Not giving opportunity to share your views	.412	Retain
	Lack of feedback	.357	Retain
Personal satisfaction	Work is not challenging	.177	Retain
	Overburdened	.551	Retain
	Difficulty travelling to & from work	.106	Retain
	Lack of work/life balance	.081	Retain
	Outside influences	.366	Retain
The job	Job dissatisfaction	.117	Retain
	Lack of job security	.223	Retain
	Lack of job sharing	.004	Reject
	Lack of job flexibility	.131	Retain

Causes which are having most significant values and most important causes for leaving an organization were as Lack of co-operation with other department (.593, P> .05), Overburdened (.551, P> .05), Lack of co-operation with in department (.575, P> .05), Uneasy relationship with supervisor(.724, P> .05), Back-stapping at work (.856, P> .05), Conductive work culture or environment (.875, P> .05), Stagnation in career path, (.869, P> .05), (Poor Canteen facilities (.861, P> .05), Lack of Development planning (.557, P> .05), Delay in resolving grievances & feedback (.610, P> .05), Lack of mentoring (.639, P> .05), and Lack of fringe benefits (.575, P> .05) respectively.

While following causes were not as important as above but these were having significant value such as Biasness (.383, P> .05), Lack of annual increase in salary (.169, P> .05), Lack of empower. & authority (.383, P> .05), Lack of guidance (.150, P> .05), Less sharing of information (.132, P> .05), Lack of insurances schemes (.469, P> .05), Absence of flexible working hours (.127, P> .05), Lack of travel allowances (.386, P> .05), Target pressure (.168, P> .05), Physical stress with long & odd working terms (.228, P> .05), Lack of fixed Leaves (.237, P> .05), Verbal abuse (.148, P> .05), Lack of training opportunities (.115, P> .05), Inappropriate resources and equipment to perform the job (.417, P> .05), Dissatisfaction with management style (.180, P> .05), More interference of management (.079, P> .05),

Lack of service awards (.267, $P > .05$), Not giving opportunity to share your views/ideas (.412, $P > .05$), Lack of feedback (.357, $P > .05$), Lack of recognition of culture & value diversity (.194, $P > .05$), Work is not challenging (.177, $P > .05$), Difficulty travelling to & from work (.106, $P > .05$), Uneasy relationship with peers (.307, $P > .05$), Lack of work/life balance (.081, $P > .05$), Outside influences (.366, $P > .05$), Job dissatisfaction (.117, $P > .05$), Lack of job security (.223, $P > .05$), Lack of job flexibility (.131, $P > .05$) respectively.

When employers have the knowledge about reason for leaving by the employees only after they will evaluate the impact of the attrition. Therefore next author want to discuss the impact of attrition.

Impact of attrition on organization

Following tables shown the different costs due to attrition and impact on the organization.

Table 2

Cost due to personal Leaving		N	Mean	Std. Deviation
a.	Cost of conducting an exit interview	50	4.14	.783
b.	Cost of getting work done until the replacement found	50	4.12	.729
c.	Cost incurred by the employee who is leaving	50	4.04	.856
d.	Cost of additional temporary help	50	4.14	.833
e.	Cost of Administrative functions related to termination	50	4.18	.800

The table clearly indicates the mean and standard deviation values on variables on ‘**personal leaving factors**’ and all other employers’ comparison is taken. The mean and standard deviation values of Cost of conducting an exit interview(4.14, .783), Cost of getting work done until the replacement found (4.12, .729), Cost incurred by the employee who is leaving (4.04, .856), Cost of additional temporary help(4.14, .833), Cost of Administrative functions related to termination(4.18, .800), respectively. As the responses were collected in likert scale, if mean value is more than 4 will show that important factor and less mean values show less important factors.

Table 3

Recruitment, Selection & Screening Costs		N	Mean	Std. Deviation
a.	Cost of advertisement	50	4.00	.881
b.	Agency cost	50	4.02	.845
c.	Employee referral cost	50	4.10	.839
d.	Cost of conducting interview	50	4.18	.800
e.	Background /reference screening cost	50	4.12	.773
f.	Cost of post medical examination	50	3.98	.654

Mean and standard deviation values on various variables of ‘Recruitment, Selection & Screening Costs’ of employers have been shown in table. The table clearly indicates the mean and standard deviation values on variables on ‘Recruitment, Selection & Screening Costs’ and all other employers’ comparison is taken. The mean and standard deviation values of Cost of advertisement (4.00, .881), Agency cost (4.02, .845), Employee referral cost (4.10, .839), Cost of conducting interview (4.18, .800), Background /reference screening cost (4.12, .773), Cost of post medical examination (3.98, .654) respectively. Cost of post medical examination is one factor which is less important than others.

Table 4

Training and Induction Cost of new hire		N	Mean	Std. Deviation
a.	Cost of trainers	50	4.08	.853
b.	Training Material	50	4.08	.853
c.	Induction program cost	50	4.18	.800
d.	Technology equipment used in the delivery of training	50	4.28	.778

The table clearly indicates the mean and standard deviation values on variables on ‘Training and Induction Cost of new hire’ and all other employers’ comparison is taken. The mean and standard deviation values of Cost of trainers (4.08, .853), Training Material (4.08, .853), Induction program cost (4.18, .800), Technology equipment used in the delivery of training(4.28, .778) respectively.

Table 5

Administration Costs	N	Mean	Std. Deviation
a. Set up communication system	50	4.22	.815
b. Add employees in the HR system	50	4.14	.881
c. Set up the new hire work place	50	4.20	.833
d. Setup ID cards, Access Cards etc.	50	4.18	.800

Mean and standard deviation values on various variables of ‘Administration Costs’ of employers have been shown in table. The mean and standard deviation values of Set up communication system(4.22, .815), Add employees in the HR system(4.14, .881), Set up the new hire work place(4.20, .833), Setup ID cards, Access Cards etc.,(4.18, .800) respectively.

Table 6

Impact on organizational effectiveness	N	Mean	Std. Deviation
a. Employees turnover results in/leads to too much wastage of resources when replacement settles in	50	3.94	.890
b. Employees turnover brings reduction in work productivity	50	4.14	.783
c. Employees turnover leads to reduction in the quality of product produced	50	4.14	.833
d. Employees turnover leads to extra burden on present employees	50	4.04	.832
e. Employees demands for overtime because of high turnover rate	50	4.22	.815
f. Employees turnover breaks coordination in team work	50	3.94	.890
g. Turnover leads to more turnover (impact on current employees)	50	4.08	.853
h. Loss of company knowledge	50	3.98	.829
i. Adverse impact on the goodwill of the company	50	4.12	.849
j. Loss of customer database	50	4.12	.849

The table clearly indicates the mean and standard deviation values on variables on ‘Recruitment, Selection & Screening Costs’ and all other employers’ comparison is taken. The mean and standard deviation values of Cost of advertisement (4.00, .881), Agency cost (4.02, .845), Employee referral cost (4.10, .839), Cost of conducting interview (4.18, .800), Background /reference screening cost (4.12, .773), Cost of post medical examination (3.98, .654) respectively. Loss of company knowledge is only one factor which explained itself as less important.

Table 7

Positive impact	N	Mean	Std. Deviation
a. Infuses new blood into the organization	50	4.02	.820
b. An opportunity to induct employees at a lower cost with fresh skills that aligned to the current need of business.	50	4.02	.869
c. Reduction in surplus employees	50	4.12	.849
d. Creation of a healthy and competitive environment in the organization	50	4.10	.814

The table clearly indicates the mean and standard deviation values on variables on ‘Positive impact’ and all other employers’ comparison is taken. The mean and standard deviation values of Infuses new blood into the organization(4.02, .820), An opportunity to induct employees at a lower cost with fresh skills that aligned to the current need of business(4.02, .869), Reduction in surplus employees (4.12, .849), Creation of a healthy and competitive environment in the organization(4.10, .814) respectively. Moreover all the positive impact is also exist and most of employers agreed the statement by the researcher.

Above all the tables from table 2 to table 7 shown that most of factors were having values more than 4, except Loss of company knowledge, cost of medical examination, which revealed that most of factors are effected by the attrition.

CONCLUSION

With the increased focus on the retaining employees' in every business, employers need to initiatives for employees' benefits, healthy working environment and empowering employees forreducing attrition. Most employees leave their work for reasons other than money and every organization can correct these reasons. Most leaving employees seek opportunities that allow them to use and develop their skills. Leaving employees want more meaning in their work; they often indicate that they want to use their qualities and skills in challenging teamwork.Despite the best efforts of employers, continued and retaining their employees against these causes of leaving. To manage the total costs of attrition, insurance sector should employ an approach that addresses and resolve all of the causal factors.

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