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## Causes and Effects of Employee Attrition in Insurance Sector

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### Abstract:

Employee attrition is one of the biggest problems facing by every company irrespective of the sector. Numerous factors create unfavourable impact on the employee attrition; poor company performance, low employee morale, workforce causes are few. This article deals with employee attrition in insurance sector. The following study has many factors including employee morale, grievance handling, HR practices, job security, succession planning and compensation. This enables the study to determine which elements have greatest impact with respect to gender, age, qualification, experience. The study was performed on the employees of the organisation. The data is collected through Empirical survey by Questionnaire method. The analysis was done using various SPSS tools. The finding concluded that there is a significant relationship between the factors and Employee attrition.

Methodology: Descriptive method of study adopted through simple random sampling. One way ANOVA is used to analyse the data.

*Key words: Employee attrition, Grievance handling, succession planning etc.*

### I. Introduction:

Employee attrition is the reduction of human resource in the company due to various reasons. It could be decided by the employer or the employees. Termination and Resignation is been considered as the basic tools for attrition procedure. Attrition has a strong effect on output as



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well as the process of production. Employee attrition has transformed into an important factor to focus on because of the cost spent on recruitment and training. An employee who left one organization may become an asset for another organisation. There are some reasons for employee retention. NDTV has reported 5 main reasons; salary, limited growth, higher education, job monotonous, and bad employer or bosses are considered as the few reasons why employees quit their jobs in India companies. A research done by Udemy reveals almost 59% employees were have been with employer for almost three years and 51% would quit the job if adequate training programs were not offered by their employees. , The main objective of this article is to find the major factors which leads to employee attrition and focus on alternative solutions to reduce the attrition with a few suggestions for its positive transformation.

## II. REVIEW OF LITERATURE:

**Walton (1973)** found from his study that turnover of employees has been a major and crucial issue in today's labour market as the expenses spent on hiring and training is more compared to past years suggested eight major conceptual areas for understanding the reasons for attrition. These were adequate and fair compensation, safe and healthy working conditions, development of human competencies, growth and security.

**Mobley (1977)** conducted a research on the factors of employee leaving the insurance organisation and found many attributes which influence the organization attrition. He found that employees experience in the organisation reflects the attrition rate and also stated that such stay is based on various factors such as satisfaction, employee morale.

**Denvir and McMahon (1992)** stated in his study that labour turnover is also known as attrition. He also said that attrition has emerged as one of the major issues to focus on as it directly affects the production and competition in the market. According to Denvir employee attrition is an outcome of dissatisfaction in the work, job related stress, and lacks of commitment are the factors which lead to employee attrition.



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**Hom and Griffeth (1995)** conducted a research on the factors of employee leaving the sales organisation and found many factors which influence the organization attrition. He concluded from his research that organization commitment and job satisfaction are crucial factors that influence employee attrition.

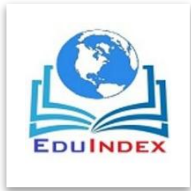
**Griffeth et al. (2000)** conducted a study to focus on monetary benefits which are basic and beyond differences of age and experience which causes for attrition. This research concludes that compensation and compensation -related variables have a significant effect on employee turnover and the thought of staying in the organization

**Meaghan et al (2002)** stated that attrition is people voluntarily leaving or they are made to leave by external influence which affects their stay and performance. So they are forced to detach from the organisation .They have found that the value of an employee to a company is a very important factor in the progress of the organization and reduction of attrition rate.

**Kaiser (2002)** investigated cross-national differences in the determination of job satisfaction by different type of contract, namely full-time permanent, part time and self-employment. Workers in permanent full and part-time jobs with the highest level of job security appear to also enjoy high job satisfaction. In contrast, those in fixed-term jobs and self-employment were found to have low job security and this leads to a motivation for attrition.

**Ongori (2007)** had done a research which focuses on stress as a cause of attrition and found that the good workers in organization may tend to leave when they start experiencing signs of occupational stress. This turnover affects the organization adversely in increasing the recruitment and selection costs of the organization.

**Narendra Singh Chaudhary (2013)** stated in his study that attrition is a key hurdle in the HR domain today and is a key issue which keeps on disturbing HR experts and forces them to spend their productive time in to it. He found in his research that recruitment and employee retention are the key challenges in managing and measuring employee productivity. HR



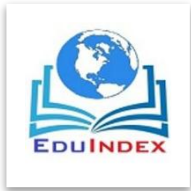
practices like over confidentiality, lack of performance based appraisal and technology driven organisation are reasons for attrition in insurance sector.

**Markos (2015)** found from his research that the employee attrition does not work well because they are disconnected from day to day activities. He found that manager employee relationship and communication is more important for effective performance of employees also found that this improves the productivity of knowledge workers. Thus he suggested the managers shall improve employee engagement as it leads to reduce in rate of attrition.

### **III. CONCEPTUAL FRAMEWORKS**

After reviewing the above review of literature, the researcher has taken following factors for the study.

- **Employee Morale:** Which describe the attitude, confidence and satisfaction of employees towards their job by creating positivity in working environment and also strongly believe they can meet the work requirement. Employee morale can be increased through by treating employee fairly, by giving maximum support to the workers by the leaders and management, respecting employees, maintaining proper communication, offering and receiving valid feedback etc.
- **Grievance Handling:** Any complaints and dissatisfaction towards work environments should be properly handled by the employers as this would make an impact in the minds of employees. Work place harassments are one among the reasons for dissatisfaction of job. Failure to settle the issues in proper way would result in employee turnover.
- **HR Practices:** The best fit and the best practices are the two schools which teach how to manage people in HRM. Many organizations are following large number of HR practices in their organization. Such practices can create both happiness and dissatisfaction in workplace.
- **Job security:** Job security is an essential factor to create a loyal employee. People value job security the most that return as the focus for the long term objectives and plans. If

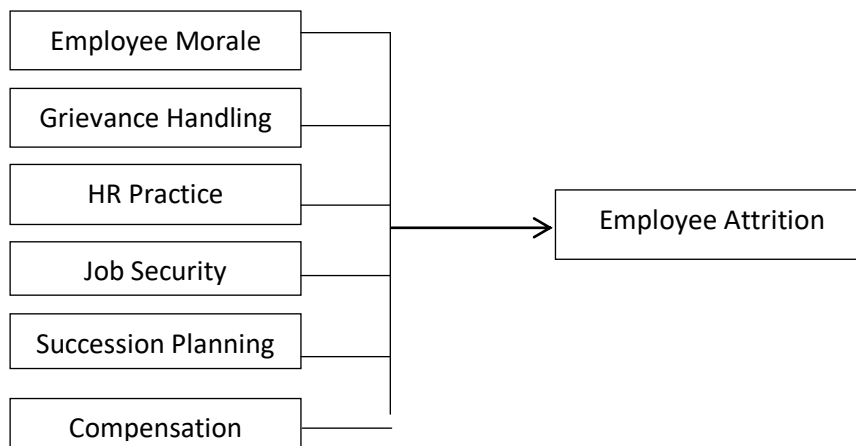


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you don't value your employee or don't offer the security for his job employee will try to find the other employers.

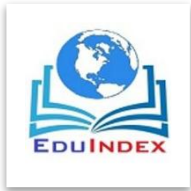
- Succession planning: The practice of finding new leaders and managers are not easy. Having a better succession plan would help organization to manage unexpected leadership change or workforce change. It also opens career growth to the existing employees.
- Compensation: Apart from basis salary, employees in certain departments are eligible to get compensations like; overtime wages, recognition or merit pay, sales commission etc.



**IV. RESEARCH METHODOLOGY:**

**Research Design:**

In this study a quantitative research approach is implemented since the purpose of this study is to gain knowledge about an entire population. This could also be achieved with a qualitative research approach. However, findings of qualitative character cannot be analysed statistically and presented in numbers since the problem at hand are investigated deeply with a smaller number of respondents. Descriptive method is used for this research. Primary and secondary data has been collected through structured questionnaire and various national and international journals, articles, respectively.



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Sampling:

According to Bryman & bell (2011) the level of confidence should be 95 percent or higher to ensure that the errors caused by only studying a sample of the population is not significant so that it affects the accuracy. The sample frame in this study was selected randomly. A total number of 65 respondents were contacted and was given the opportunity to participate in the survey. The collected data were classified tabulated and analyzed with One way ANOVA

V. DATA ANALYSIS AND INTERPRETATION

Experience Vs Employee Morale, Grievance Handling, HR Practices, Job security,

Succession planning

Here the researcher compares Experience with employee morale, grievance handling, HR practices, job security and succession planning. Hypothesis has been set for all the different variables and following results are obtained.

Table with 4 columns: Sl.No, Variable, F, Sig. Rows include comparisons like Experience v/s Employee Morale, Grievance handling, HR practices, Job security, and Succession planning.

Interpretation:

The above table shows the difference between Experience as dependent factor and employee morale, grievance handling, HR practices, job security and succession planning as independent factors. It is identified from the above table that the significance value for employee morale is 0.617; grievance handling 0.770, HR practices 0.703, Job security 0.677 and succession planning is 0.869. It is evident that all values are greater than 0.05 at 5% level of significant. Thus it is concluded that null hypothesis is accepted and proven there is no difference between experience with employee morale, grievance handling, HR practices, job security and



succession planning. It can be inferred from the result that experience of insurance employees are not influencing their morale, grievance handling HR practices, job security, succession plan.

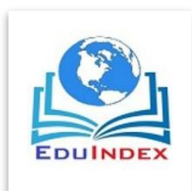
**Age VS Employee morale, grievance handling, HR practices, Job security, Succession planning**

| Sl.No | Variable                    | F     | Sig   |
|-------|-----------------------------|-------|-------|
| 1     | Age v/s Employee Morale     | 0.379 | 0.686 |
| 2     | Age v/s Grievance handling  | 1.950 | 0.151 |
| 3     | Age v/s HR practices        | 0.070 | 0.933 |
| 4     | Age v/s Job security        | 0.063 | 0.04  |
| 5     | Age v/s Succession planning | 0.462 | 0.632 |

**Interpretation:**

The above table shows the difference between Age as dependent factor and employee morale, grievance handling, HR practices, job security and succession planning as independent factors. It is identified from the above table that the significance value for employee morale is 0.686; grievance handling 0.151, HR practices 0.933, Job security 0.04 and succession planning is 0.632. It is evident that all values except job security are greater than 0.05 at 5% level of significant. Thus it is concluded that null hypothesis is accepted and proven there is no difference between age with employee morale, grievance handling, HR practices, and succession planning. It is also found that job security is the only variable influence attrition compared to age of respondents. Employees working in insurance sector are facing job security issue as the company may recruit more new people with lesser package. They are also not finding any growth after a period of time, would be a reason why age has some influence on job security.

**Qualification VS Employee morale, grievance handling, HR practices, Job security, Succession planning.**



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| Sl.No | Variable                              | F     | Sig   |
|-------|---------------------------------------|-------|-------|
| 1     | Qualification v/s Employee Morale     | 0.351 | 0.705 |
| 2     | Qualification v/s Grievance handling  | 2.221 | 0.117 |
| 3     | Qualification v/s HR practices        | 0.475 | 0.624 |
| 4     | Qualification v/s Job security        | 0.892 | 0.415 |
| 5     | Qualification v/s Succession planning | 2.079 | 0.134 |
| 6     | Qualification v/s Compensation        | 2.197 | 0.03  |

**Interpretation:**

The above table shows the difference between qualification of respondents as dependent factor and employee morale, grievance handling, HR practices, job security, succession planning and compensation as independent factors. It is identified from the above table that the significance value for employee morale is 0.705; grievance handling 0.117, HR practices 0.624, Job security 0.415 and succession planning is 0.134. It is evident that all values except compensations are greater than 0.05 at 5% level of significant. Thus it is concluded that null hypothesis is accepted and proven there is no difference between qualification with employee morale, grievance handling, job security, HR practices, and succession planning. It is also found that compensation is the only variable influence attrition compared to age of respondents with the significant value 0.03 which is less than 0.05 at 5% level of significant. This proves that compensation has some influence in attrition rate when it's compared with qualification of employees.

**VI. FINDINGS:**

This research helps the researcher to understand that there is no difference between experience with employee morale, grievance handling, HR practices, job security and succession planning. It is also proven that there is no difference between age with employee morale, grievance handling, HR practices, and succession planning. It is also found that job security is the only variable influence attrition compared to age of respondents. This research reveals that no difference between qualifications with employee morale, grievance handling, job security, HR practices, and succession plan. It is also found that compensation is the only variable influence attrition compared to age of respondents with the significant value 0.03 which is less



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than 0.05 at 5% level of significant. This proves that compensation has some influence in attrition rate when it's compared with qualification of employees.

#### VI. CONCLUSION:

Employees are highly expected to accomplish their task, but creating a favorable working environment to work is the highest responsibility of management. Positivity in insurance sector shall be created through well-defined communication between employees and managers, better compensation, and also through a well understandable employer or boss. Job security is the main threat faced by employees of insurance sector and this research also proved that job security is the reason for employee turnover. Improper or biased compensation also found to be a reason for employee turnover in insurance sector.

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