Factors Contributing toEmployee's Attrition in Insurance Industry

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Abstract

In today's scenario, Attrition is one of the major problem companies are facing & this is not with any specific sector, but everywhere. High attrition rate of employees in an organization is a serious concern specifically in service sector because the employees are the main asset of service sector. The insurance sector in India is mounting rapidly to bring in growth and employment opportunities. Insurance is a human intensive industry. Human Resource plays a crucial role in the growth of an insurance industry. The major challenge faced by insurance companies is high employee turnover.Employee attrition refers to the loss of employees through a number of circumstances, such as resignation and retirement. This paper is a part of a larger study conducted to study the factors contributing to employee's attrition focused on employees in insurance industry.

Introduction

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. 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.

In any panel study where people are the units of observation, attrition is the permanent loss of data for a sampled individual due to non-participation in the study (Lynn et al. 2005; Zabel

1998). By definition, attrition is an absorbing state, and in this way differs from non-response generally (Hawkes and Plewis 2006). Interim unit non-response – i.e., individuals dropping out for a single wave before returning again at some subsequent wave – is different from attrition as data for sample members continues after a gap. The causes of interim unit non-response may be different from attrition although distinguishing interim non-response from attrition is always time dependent leading to difficulty in analysis. Panels of finite length can clearly identify the point of attrition as no further data collection efforts are attempted even with interim unit non-response. Panels of indefinite length are burdened by the future behaviour of sample members as attrition cannot be distinguished from interim non-response without clear rules defining when non-response is attrition.

Review of literature

Groves et al (2000) suggest that survey cooperation may be more likely for those maintaining a sense of civic duty. Normative feelings of civic duty may be indicated by a number of opinion items although little prior research explores whether the opinions or values respondents hold predict the likelihood of non-response. Opinions and attitudes may be expressive of respondent interest in the themes and topics covered by a survey. For example, Lepkowski and Couper (2002) find that those less interested in politics were more likely to non-respond in the panel component of the NES. A more direct test of this civic duty thesis may be derived from measures of social participation. Civic mindedness may be more prevalent amongst people highly engaged in community affairs. It follows that respondents highly engaged in community life would be more willing to provide survey data. Lepkowksi and Couper (2002) also generally find that social participation inhibits subsequent panel non-participation.

Motivation, delegation of powers gets its importance at the present time as well. Authors Foot and Hook (2005), Armstrong (2002), Wagnerová (2008) and Koubek (2004) unanimously agree upon the fact that the management of the performance is the process by which the performance of the organization, team and individual improve and is used by the leaders for managing. Hall (2008, p. 194) clearly declares, that the very best way for managers to improve employee performance is to set clear expectations and hold regular business reviews to those expectations. The scientists try to discover the dependence between working performance and motivation. However, the answer is not unequivocal in all cases.

Porvazník (2007, p. 125) underlines that motivation profile of each employee differs. Regardless this, where the motifs come from; a man is the most motivated one providing that external and internal motifs are in the balance. The level of the application of the skill to motivate or encourage employees is in practice judged according to the number of the satisfied employees in the organization, by the fluctuation rate and not by its results.

On the other hand Khan et al. (2010, p. 49) researched that a motivation strategy may possibly have the power of enhancing motivation in one way and diminishing it in others. To make sure the success of motivational tools, it is important to consider the uniqueness of the situation and the diversity of the concerned group .It is the job of management to consider different alternatives according to situation.

Wagnerová (2008, p. 18) in her publication states that the research of motivation in its beginning leads to the founding that employees with approximately same working skills can have similar incomes but still quite different motivation and performance. The task of the working performance has been gradually recognized as a tool of the motivation and development in the USA, in the 50-ties. Based upon the research, Armstrong (2002, p. 433) publishes interesting opinion that there is not significantly positive relation between satisfaction and performance. The assumption that rather a good performance brings satisfaction than a satisfaction brings a good performance is not confirmed.

Wagnerová (2008, p. 29) introduces that certain optimum is applied for performance of work. In accordance to Yerkes – Dodson's law, it can be said that the relation of motivation and performance is not linear but it has the shape of the reversed "U". Higher motivation does not automatically mean better performance. The optimum level of motivation depends on the complexity of task. Lower level of motivation is optimal at the difficult tasks. While higher level of motivation for better performance is required for easier tasks. Optimal motivation leads to the maximum performance. The management of working performance is closely related to the remuneration of the employees.

As it is given by the Koubek (2004, p. 57) remuneration represents a certain background of working performance management and thus serves and helps the action on the scene to go successfully. According to Emansa and Kerstena (2001, p. 45), it is unreal to assume that introduction of "pay for performance", pay according to the performance shall change each employee during one night into a high-performance and motivated individual. Furthermore, some studies, on the contrary prove that motivation effects of that system can be negative

providing the justice in the remuneration system is not guaranteed. Herzberg et al (1957, p. 15) also mentions doubt regarding the efficiency of money, as its lack does not lead to the satisfaction, its sufficiency does not lead to the long-term satisfaction. Pursuant to Borsíková (2008, p. 2), the situation is similar in our conditions because this issue is being complicated by the unfavorable economic situation with high rate of unemployment and low level of salaries. It seems that these conditions narrowed the whole area of motivation into the only one "motivator"– money.

The author of the abstract partially accepts the opinion of Borsíková (2008), although it is always possible to find way and solution to motivate employees so that the financial remuneration is not the only one incentive for higher working performance. According to research on topic "Ideal employer 2009" Švecová (2009, p.4) presents, that main factor of satisfaction (but not motivator) is salary, direct financial appraisal (84%). Surprisingly on second place is job description (74%) then personal development of employees (63%). On fourth place is direct supervisor and work environment and fifth are fringe benefits.

Research Methodology

The purpose of this paper is to find the factors contributing to employee's attrition in insurance industry 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. Both qualitative and quantitative data analysis is done in order to get deeper insights into the respondents. For finding results exploratory study is conducted and collected data through questionnaires which were distributed in 300 employees of insurance industry but researcher conducted research on 200 employeesonly. Conformity Factor Analysis was conducted for incorporate conclusions.

Analysis on Causes of attrition

Confirmatory factor analysis (CFA) is a statistical technique used to verify the factor structure of a set of observed variables. CFA allows the researcher to test the hypothesis that a relationship between observed variables and their underlying latent constructs exists. The researcher uses knowledge of the theory, empirical research, or both, postulates the

relationship pattern a priori and then tests the hypothesis statistically. CFA specifically, relies on several statistical tests to determine the adequacy of model fit to the data. The chi-square test indicates the amount of difference between expected and observed covariance matrices. A chi-square value close to zero indicates little difference between the expected and observed covariance matrices. In addition, the probability level must be greater than 0.05 when chi-square is close to zero.The first step was to determine the Harman one factor model and secondly this section demonstrates how to estimate a two-factor or integrated confirmatory factor model using LISREL 9.2. Before showing the results of conformity factor analysis researcher put code for calculating variables. Which are as follows:

For loading the data and calculating results, items were loading on their latent factors to test the dimensionality of constructs. A single factor model where all the items were loaded and revealed a fair fit model. In which researcher calculate Chi-Square (χ^2), Relative of Chi-Square (χ^2/df), Root mean Square error of approximation(RMSEA), Standardized Root mean Square Residual (SRMR), Non-Normed Fit Index (NNFI), Comparative Fit Index (CFI), and Normed Fit Index (NFI). Next, 11 figures will show optimizations of the construct with its manifest variable is shown in the review of the literature.

The assignment of measured variables to each latent construct is graphically equivalent to drawing arrows from each construct to the measured variables that represent construct. The degree to which each measured variable is related to its construct is represented by that variable loading. Only loading linking of each measured variable to its latent construct as specified by the arrows are estimated; the rest are set to be zero. Since a measured variable doesn't explain latent variable perfectly, an error free term is added. The text output presents unstandardized estimates and their standard errors. It is possible to ascertain the statistical significance of the estimates by comparing the unstandardized loadings displayed in the equations under the Measurement Equations heading in the output file with their standard errors displayed in parentheses id it exists. This this all the output will show goodness to fit results. In all measurement models of causes of attrition for 11 different parameters needed to be estimated in order to check the extent of therelationship between the latent variables and manifest variables. All the calculations were proceeding in four steps:

Step 1: Construct of manifest and latent variables and output file of goodness to fit
Step 2: Assessing the measurement model fitness for the constructs

Step 3: Assessing reliability and validity

Step 4: Integrated measurement model

Step 1: Construct of manifest and latent variables and output file of goodness to fit

Table 1: Summary statistics for loading of items

Construct	Item no	Loading	Error
Pay/Compensation--a	A1	0.95	0.22
	A2	0.85	0.39
	A3	0.92	0.27
	A4	0.80	0.44
nefits--b	B1	1.00	0.00
	B2	1.00	0.01
	B3	0.99	0.10
	B4	0.96	0.19
	B5	0.99	0.07
	B6	0.42	1.19
Career advancement & career plans--c	C1	0.98	0.15
	C2	1.00	0.04
	C3	0.25	0.81
Training & development--d	D1	0.87	0.37
	D2	0.95	0.21
	D3	0.82	0.43
	D4	0.94	0.25
	D5	0.69	0.56
Awards & recognition--e	E1	0.82	0.42
	E2	1.00	0.05
	E3	0.98	0.13
Work relationship--f	F1	1.00	0.03
	F2	0.92	0.29
	F3	1.00	0.07
	F4	0.27	0.85
	F5	0.99	0.08
	F6	0.95	0.72
Inappropriate supervision--g	G1	0.96	0.30
	G2	1.00	0.03
	G3	0.10	1.05

	G4	0.98	0.13
	G5	0.92	0.29
	G6	1.00	0.06
Working condition/ environment & Facilities--h	H1	0.99	0.10
	H2	1.00	0.02
	H3	0.90	0.29
	H4	1.00	0.01
	H5	0.99	0.08
	H6	1.00	0.02
	H7	1.00	0.06
	H8	1.00	0.00
	H9	1.00	0.03
Management--1	I1	0.99	0.07
	I2	0.74	0.51
	I3	0.97	0.17
	I4	0.72	0.53
	I5	0.99	0.09
Personal satisfaction--j	J1	0.99	0.08
	J2	1.00	0.02
	J3	0.79	0.35
	J4	1.00	0.01
	J5	0.99	0.10
The job--k	K1	0.98	0.14
	K2	1.00	1.00
	K3	0.81	0.81
	K4	1.00	0.00

The table above present CFA result of all the constructs. Most of the factor loadings were above 0.40 except B6- Lack of fixed Leaves (0.42), C3- Career in theinsurance sector is not viewed as secured (0.25), F4- Lack of responsibility (0.27) and G3- Uneasy relationship with supervisor (0.10) respectively.

Step 2: Assessing the measurement model fitness for the constructs

Hair et al., (2005) stated that the validity of the measurement model is ascertained by the goodness of fit indices. The fit indices intend to inform the researcher how closely the data fit

the model. Basically, below-given standard fit indices are considered for making an interpretation about model fit, which is described in the as above.

Table 2: Model fit Indices

Indexes	a	b	c	d	E	f	g	h	i	j	k
Relative of X^2/df	3.55	3.23	2.21	3.23	2.04	4.32	4.97	6.43	4.93	3.62	0.21
REMSA	0.024	.067	.040	.001	.050	.093	.059	.028	.089	.072	.080
SRMR	0.025	.051	.052	.067	.058	.063	.625	.056	.056	.056	.006
NNFI	0.957	.955	.945	.907	.917	.962	.976	.945	.955	.976	.976
CFI	0.952	.913	.913	.954	.954	.957	.945	.906	.977	.948	.944
NFI	0.908	.965	.865	.942	.842	.934	.912	.936	.952	.958	.904

Above table summarized the model fit indices of all construct namely a, b, c, d, e, f, g, h, i, j and k. in most of all the eleven constructs the indices value for indices like Relative of χ^2/df, REMSA, SRMR, NNFI, CFI, and NFI was above cut-off level, which implies that model was good fit model in case of causes of attrition in insurance industry in India except χ^2values of construct F, g, h, and i and REMSA values in case of only two construct i.e. f and i. which cannot reflect too much on the results because these results are closely related to cut off values.

Step 3: Assessing reliability and validity

Reliability: The study has used the same common method of reliability test named **'**Cronbach Alpha coefficient' for assessing the reliability of the scale. Generally, Cronbach alpha level of 0.60 or above is considered to be acceptable for all constructs.

Table 3: Indices of reliability and validity verification

Indexes	Cronbach Alpha	Composite Reliability	Convergent validity
a	0.89	0.89	0.56
b	0.87	0.85	0.58
c	0.79	0.79	0.55
d	0.98	0.98	0.67
e	0.88	0.85	0.58
f	0.93	0.93	0.43
g	0.84	0.82	0.55

h	0.78	0.78	0.48
i	0.87	0.84	0.53
j	0.67	0.66	0.54
k	0.69	0.67	0.54

Construct validity (through convergent validity): Basically, the size of the factor loadings provide evidence of convergent validity. Higher factor loading indicates that the manifest variable converges on the same construct. Convergent validity of all the construct was also examine using themeasures of averages variance extracted (AVE) that is the average variance shared between a construct and its items. A construct with an AVE up to 0.40 and 0.60 of composite reliability are also considered to be acceptable.

Above table encapsulates the reliability and validity measure values of all the constructs namely a, b, c, d, e, f, g, h, i, j and k. Cronbach alpha and composite reliability's values for all the constructs are above 0.6 showing all the construct have a good internal consistency and reliability. Convergent validity values to have crossed the required cut-off threshold of 0.4 this shows that all indicators effectively measure the construct they belong to. Convergent validity may also be confirmed for the loading given in above table. It depicts that all manifest variables are having aloading greater than 0.4 in theupshot, measurement models are reliable and valid and all the manifest variable explain their construct effectively.

Step 4: Integrated measurement models

Table 4: Integrated measurement model fit indices

Indexes	Model-1	Model-2	Model-3	Model-4
Relative of χ^2/df	3.43	2.98	2.41	2.27
REMSA	0.06	0.06	0.07	0.07
SRMR	0.06	0.03	0.03	0.02
NNFI	0.93	0.94	0.98	0.97
CFI	0.95	0.94	0.99	0.96
NFI	0.84	0.97	0.89	0.98

In table 4, the indices for the measurement model shows that REMSA and SRMR are slightly above the cut-off level. But the value of NNFI, CFI, and NFI are good. The relative $\chi 2$ /df comes out to be greater than the threshold value. It has been reported that there is no consensus regarding an acceptable ratio for this statistic, recommendations range from as

high as 5.0 to as low as 2.0. It implies that overall model is good fit model above all models provided a fair fit.

The discernment validity was assessed by factors model with 2 or 3 factors models which are shown above four integrated models results were for model 1 (Relative of χ^2/df -3.43, REMSA 0.06), model 2 (Relative of χ^2/df -2.98, REMSA 0.06), model 3 (Relative of χ^2/df -2.41, REMSA 0.07), and model 4 (Relative of χ^2/df -2.27, REMSA 0.07). The significant changes in all models indicated that the respondent of this study could distinguish the eleven constructs well. This also confirms the discriminant validity of constructs used in this study.

Conclusion

Based on Conformity Factor Analysis of the study, it can be concluded that most of factors were contributing to employee's attrition in insurance industry. However, most of all the reasons were contributing in employees' attrition; these were not only depends on organizational factor but personal factors were also responsible. The results of this research have several implications in the field of causes of attrition in the insurance industry which suggests overall job and personalsatisfaction of employees rather leaving or switching from the organization. Employers should implement appropriate salary structure, career plans and healthy working environment and apt need analysis method to encourage their employees for the betterment of the organization.

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