

THE LEVEL OF EMPLOYEE RETENTION IN INSURANCE COMPANIES IN BATTICALOA DISTRICT

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ABSTRACT

Human capital is considered as key capital within the organization. Each and every company spends lot of money to hire, select, induct and compensate talented people in organization. Any lose and turnover of these talents create huge lose to organizations with compare to other expenses which are associate with employees. On this regards, this study was to examine the level Employee retention in Insurance companies in Batticaloa district. Employee retention is an act of retain valuable employees within the organization for longer period of time. However, operation of retaining employees for longer period with them is a grand task for every employer, because most of the human resources are not attached for longer period in one place, if they are not fully satisfied. Commonly, insurance companies are facing similar retention problem compare to other business. Therefore, main objective of this study is to analysis the level of employee retention in insurance companies in Batticaloa district. Finding of the study shows, there is a high level of Employee retention in insurance companies.

Keyword: - Employee retention

1. INTRODUCTION

Employee retention is the most essential for each organization to achieve its success, because human resources are potential source which pose differentiate knowledge and competencies with compare to other organization. Make the employees to remain within the organization for longer period can be called as employee retention. Long-lasting survival and achievement of any organization relies on the maintenance of key employees. Employee retention rates show a direct, positive correlation with sales growth (Batt, 2002) and customer retention rates (Shaw, Duffy, Johnson & Lockhart, 2005). On other hand, poor retention creates incredible cost to the organization. Therefore, most organizations are busy to attract & retain employees in this emerging world. 'One of the most critical challenges for any organization is finding, recruiting and retaining talented individual' (Kirkland, 2007). The dispute does not just lie about how to pull the best employees to your organization but how to retain them.

Nowadays, major challenge of the Insurance Companies in Sri Lanka is retention of an employee, while youthful, lively and insightful employees constantly prepared to switch over at whatever point he or she gets disappoint with any reason in the employment. Employee turnover rate from 2012 to 2015 of 14 Insurance companies in Batticaloa town explains that, there was certain level of employee movement exists in those Insurance companies.

Table -1 Employee Turnover Rate (2012-2015)

| Name of company | Year | No. of total employees | No. of employees remaining | No. of employees left out | Turnover rate |
|---------------------------|---------------|------------------------|----------------------------|---------------------------|---------------|
| Janashakthi Insurance PLC | 2012 | 13 | 03 | 10 | 76.92% |
| | 2013 | 21 | 03 | 18 | 85.71% |
| | 2014 | 15 | 04 | 11 | 73.33% |
| | 2015(01/jan.- | 11 | 06 | 05 | 45.45% |

| | | | | | |
|------------------------------|------------------------------|----|----|----|--------|
| | 30/April.) | | | | |
| Ceylinco Insurance PLC | 2012 | 16 | 08 | 08 | 50% |
| | 2013 | 19 | 12 | 07 | 36.84% |
| | 2014 | 27 | 16 | 11 | 40.74% |
| | 2015(01/jan.-30/April.) | 20 | 20 | - | - |
| AIA Insurance PLC | 2012 | 55 | 43 | 12 | 21.81% |
| | 2013 | 67 | 55 | 12 | 17.91% |
| | 2014 | 67 | 42 | 15 | 22.39% |
| | 2015(01/jan.-30/April.) | 45 | 43 | 02 | 04.44% |
| HNB Assurance PLC | 2012-2015(01/jan.-30/April.) | 43 | 28 | 15 | 34.88% |
| Asian Alliance Insurance PLC | 2014(01/Mar) | - | | | |
| | 2015(01/jan.-30/April.) | 39 | 24 | 15 | 38.46% |

(Source: Insurance company details)

This turnover creates problem of poor retention within the organization. Hence, there is the need to investigate the level of employee retention in Insurance companies in Batticaloa town and there are no studies found by researcher in respect of Employee retention in selected area. Therefore, this study focuses on addressing a main research question as follows,

“What is the level of Employee Retention in Insurance Companies in Batticaloa town?”

2. LITERATURE REVIEW

Influencing employee to continue in the organization for a long time can be termed as Employee Retention. It is a technique in which the employees are asked to stay with the organization for the maximum period of time or until the completion of the undertaken task. Zineldin, (2000) has stated retention as “an obligation to continue to do business or exchange with a particular company on an ongoing basis”. Retention however focuses on keeping the talent that contributes to the success of the organization (Buenger, 2006).

2.1. Significance of Employee Retention

Sandhya and Pradeep Kumar (2011) pointed out that, retention of employee is not only important just to reduce the cost incurred by a company to recruit and train. But also it is more important to retain talented employees to achieve organizational success. And they stated that, employee retention is significant for organization because of following reasons,

1. Difficult to calculate turnover cost which includes hiring costs, training costs, productivity loss and the average employee salary. This cost may add high amount to the company's expenses.
2. Company's information may loss, when an employee leaves the organization. He takes with him the valuable information about the organization, the customers, the current projects and also the past history of its competitors to the new employer. So it may avoid though employee retention.
3. Organization may spend lot of time and money on an employee in belief of he/she works for organizations future return. When the employee leaves the organization the investment is not realized.
4. Customer services will interrupt if employee retention is poor. The relationships between the customers and clients are developed through services of the business. This service is providing by employee, When an employee leaves the organization suddenly, the relationships that employee built for the company are suffered and also could lead to loss of contact with potential customer.

5. By maintaining higher employee retention rates the employer can motivate potentially talented employees to join the organization.
6. The maintenance of goodwill of a company is possible only if the retaining of employees is high.

2.2. Elements of Employee retention

Employee retention was measured through seven indicators. Those are Employee loyalty, Withdrawal cognition, Job vitalness, Likelihood to recommend, Likelihood to stay, Overall satisfaction and Turnover intention.

2.2.1. Overall satisfaction

Cranny, Smith & Stone (1992) defined employee satisfaction as the combination of affective reactions to the differential perceptions of what he/she wants to receive compared with he/she actually receives. Overall employee satisfaction is a complete term that includes job satisfaction of employees and their satisfaction overall with companies' principle, companies' functions etc.

2.2.2. Likelihood to recommend

Likelihood to recommend is described as probability that employee suggests their organization for job seekers to join and clients to get services.

2.2.3. Likelihood to stay

Likelihood to stay is explained as probability that employee stays with the organization for long run.

2.2.4. Employee loyalty

Employee loyalty is the ability to stay with the organization in long term. It based on the premise that employee loyalty could be measure by the amount of time one work for the company or organization (Silvestro, 2002).

2.2.5. Withdrawal cognition

Withdrawal cognition manifest when an employee begins to think of leaving the job intends to search for another job or decides to leave the current job (Lee & Mitchell, 1994).

2.2.6. Turnover intention

Turnover intention is defined as an employee's intention to voluntarily change jobs or companies (Birgit Schyns, Nicole Torck, Tobias Gössling, 2007).

2.2.7. Job vitalness

Job vitalness is described as current job which the employee attached with, is necessary to continuation of life.

3. METHODOLOGY

3.1. Sample size and Sampling Distribution

Population of this study is Insurance Companies' employees in Batticaloa town, based on simple random sampling techniques 200 employees were selected as a sample with the knowledge of percentage for total number of employees in 14 Insurance Companies in Batticaloa town. Therefore, 200 individuals were randomly selected for sample size of this study.

3.2. Method of data collection and Data measurement

Closed ended questionnaires were distributed among 200 insurance companies' employees to measure the level of employee retention. In this study for the research information interval measures were used with "Likert's five points rating scale". To identify the level of Employee retention, mean and standard deviations were used with the help of The Statistical Package for Social Sciences (SPSS 19.0 Version). The decision rule has been formulated as follows;

Table -2 Decision Criteria for Univariate Analysis

| Range for Decision Criteria | Decision Criteria | Decision Attribute |
|--|-------------------|--------------------|
| $X_i < -Z \sigma_x$ | $X_i < 3$ | Low Level |
| $-Z \sigma_x \leq X_i \leq Z \sigma_x$ | $X_i = 3$ | Moderate Level |
| $X_i > Z \sigma_x$ | $X_i > 3$ | High Level |

X_i = mean of the data (Source: Developed for this study)

3.3. Reliability test of data

Reliability test has been tested with Cronbach's alpha reliability method. Based on that, Employee retention value of Cronbach's alpha is 0.783. It reveals that variables used in this study were highly reliable.

4. ANALYSIS AND INTERPRETATION

4.1. Respondent Profile

A total of 175 questionnaires were collected out of 200 questionnaire distributed among 14 insurance companies in Manmunai north of Batticaloa district. Out of 175, 55.4% were from male and 44.6% were from female. With respect to age 45.7% of employees belong to 20-27 years, 21.7% of employees belong to 28-35 years, 14.9% of employees belong to 36-43 years, and 10.9% of employees belong to 44-51 years, only 6.9% of employees belong to 52 years and above. With respect to experience, 36.6% were have less than 1 year of experience, 25.1% were have 1-3 years of experience, 21.1% were have more than 6 years of experience and only 17.1% were have 3-6 years. With respect to designation 42.9% of respondents were from insurance agent, 18.9% were from team leaders, 13.7% were from underwriters, 8.6% were from sales executives, 5.1% were from junior sales executive, 3.4% were from assistant manager and managers, 2.3% were from office assistant and only 1.7% was from assessors. With respect to numbers of years served for particular company, 48% of were served only in one company, 28.6% were served in 2 companies, 15.4% of were served in 3 companies and only 8% of were served more than 3 companies.

4.2. Research Information

Employee retention was measured through seven indicators such as Employee loyalty, Withdrawal cognition, Job vitalness, Likelihood to recommend, Likelihood to stay, overall satisfaction and Turnover intention.

4.2.2.1. Level of Employee Retention in Insurance Companies

Employee retention also has certain level of its individual quality as dependent variable (Mean $X = 4.13$). In addition, most of the respondents expressed the common view regarding the variable of Employee retention ($SD = 0.756$).

Table -3 Overall Employee Retention Values

| Description | Employee retention |
|---------------|--------------------|
| Mean | 4.13 |
| Std.Deviation | .756 |
| Maximum | 5 |
| Minimum | 2 |

(Source: Survey Data)

Out of 175 respondents 86.9% of respondents declared that there is high level of Employee retention, while 9.1% and 4% of respondents were stated that as low level and moderate level, respectively.

Table -4 Overall values of Employee Retention

| Level | Frequency | Percentage |
|----------------|-----------|------------|
| Low level | 16 | 9.1 |
| Moderate level | 7 | 4.0 |

| | | |
|--------------|------------|--------------|
| High level | 152 | 86.9 |
| Total | 175 | 100.0 |

(Source: Survey Data)

Seven indicators (Employee loyalty, Withdrawal cognition, Job vitalness, Likelihood to recommend, Likelihood to stay, Overall satisfaction, Turnover intention) of Employee retention had high level of influence in the employee retention in insurance companies. They have the mean value as 4.16, 3.21, 4.22, 4.42, 4.25, 4.37 and 4.27 respectively. In addition, most of the respondents expressed the common opinion toward the indicators of Employee retention (Standard Deviation is 1.033, 1.436, 1.016, 0.886, 1.007, 0.853 and 1.040 respectively).

Among these seven indicators, likelihood to recommend was contributed very much (mean value=4.42) to Employee retention rather than other indicators. Continuous to that overall satisfaction, turnover intention, job vitalness, likelihood to stay and employee loyalty were contributed much to Employee retention. However, withdrawal cognition (mean value=3.21) was contributed least to Employee retention.

Table -5 Overall values of Employee retention and its Indicators

| Indicators | Mean | S.D |
|---------------------------|-------------|-------------|
| Employee loyalty | 4.16 | 1.033 |
| Withdrawal cognition | 3.21 | 1.436 |
| Job vitalness | 4.22 | 1.016 |
| Likelihood to recommend | 4.42 | .886 |
| Likelihood to stay | 4.25 | 1.007 |
| Overall satisfaction | 4.37 | .853 |
| Turnover intention | 4.27 | 1.040 |
| Employee retention | 4.13 | .756 |

(Source: Survey Data)

5. CONCLUSIONS

Main objective of this study was to identify the level of employee retention in Insurance Companies. Research finding shows, there is high level employee retention among insurance companies' employees in Batticaloa town. Most of the respondents stated as "They would recommend their company as the best places to work for others"; it shows a good sign for employers in terms of retain their employees. Even though there is some percentage of turnover, certain levels of employees are willing to stay with their current organization.

The findings provide result as high level of employee retention, although some portion of employees revealed that employee retention in low level (9.1%) and 4% of respondents said as a moderate level. It means some employees have the mind set to exit form companies without any proper reasons. Therefore, a certain level of employee retention problem exists among insurance companies employees' in Batticaloa town.

And, there was a periodical gap between the time of problem defined for this study and data collection of this study. Therefore, this periodical gap may change the employees' mind to high level retention as well as employers' mind to enhance strategies to retain employees.

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