Literature review and research gap

Attrition Defined

Attrition, in Human Resource Management (HRM), refers to the situation of employees leaving the company. It is measured with a measuring unit called attrition rate, which calculates the number of employees leaving the company (either resigning voluntarily or involuntarily laid off by the company). **(www.mbaskool.com/business-concepts/human-resources, 2013).**

Employee attrition & retention is manifestation of employee movement in an organization, which is deliberated by researcher in HR. They are two sides of same coin. Employee attrition & retention may be result of the negative or positive influence of the various factors **(Zhang, 2005).** According to **F.Casico and W.Bourdeau (2008**) voluntary attrition happens when an employee resigns an organization to grab another career opportunity, he may relocate with his family to different place or simply leave the organization for his personal reasons. Retirement is one biggest form of voluntary turnover, i.e leaving a job at his own will. Voluntary turnover is a serious issue for modern organizations these days because experienced and intellectual capital is increasingly critical for sustained competitiveness **(Boudreau & Ramstad, 2007**; **Lepak & Snell, 2002).**

Attrition in the Life Insurance Industry in India
Study by Babita and Varsha (2013) revealed that on an average, the Life Insurance industry witnessed 35 to 40per cent attrition in the front-line sales category, 25 to 30per cent in the middle management and a much smaller 10per cent shift is said to be happening at the top management levels.

Studies found that attrition is a major hazard affecting all life insurance companies, with private players suffering around 6 to 7 per cent attrition per month among agency managers (BCG, 2013).

Pathak and Tripathy (2010) in their study on insurance sector in India, found that the attrition rate is about 35 % in the first year of recruitment and it goes down to about 18 per cent by the fourth year.

Causes of Attrition

Shilpa Jain and Deepika Arora (2010) have examined attrition in the life insurance advisors of the selected companies in Ludhiana and they found that the behavioral traits of the managers affect them the most. Apart from this, the promotion and transfer policies, working hours, work environment, employee disputes, family problems, better job opportunity also play important role in attrition.

Zheng and Lamond (2009) established that factors like training, employee size, length of operations and the kind of the industry are remarkably related to attrition. **Pathak and Tripathi (2010)** in the article titled "Sales force retention: An exploratory study on the Insurance sector in India" emphasized on recruitment, retention and turnover of sales force in insurance companies.

Lum et. al (1998) figured that there is a notable association between organizational commitment and turnover rates. His study of paediatric nurses, supported that commitment of the organization has the powerful and straight impact on the intention to leave whereas job satisfaction only has secondary influence. **Coetzer and Rothman (2002**) identified that occupational stressors in insurance industry are job security and pay & benefits and stressors that could lead to attrition include target pressure, work life balance and job **security (Pathak and Tripathi ;2010**).

Marcie Pitt et. al (2009) conducted a research and found that the factors related to employees' characteristics determine higher levels of employee commitment : the factors are gender (being male or female), family income (having lower household income, however this effect was found to be very weak 29), elders to take of (With no elder care responsibilities), physically sound and healthy (having better physical health), Having Sound mind (being in finer mental health), core self-evaluation (having a more positive sense of self), and age (being older). **Taplin (2003)** found out the other very important impact to industry image with staff leaving the industry, they

fear for the long-term future of clothing manufacturing in the UK. In this research study, attrition rates were the highest among the most proficient workers.

Gupta (2011) in his study on BPO industry concluded that one of the prime reasons for employees leaving the industry was due to the cause that the industry was viewed as a gap filler occupation. It looks like; there must be a fault in the structure of the industry. The industry is totally dependent on youth who works part time with them, earn money in the process however thinking of having career alternatives. Hence, for this young group of people, BPO was never a long - term career opportunity but only as a part time job to earn money.

Griffeth et al (2000) his analysis depicts that organizational commitment was a better forecaster of turnover as compare to overall job satisfaction in a company. But **Tang et al (2000)** realized through his study that there is strong link between organizational commitment and actual turnover.

Howard and Homma (2001) established that job satisfaction alone is not sufficient enough to forecast the turnover intentions. They recommended that organizational commitment must be an important part of the turnover model and should be considered as an independent variable. **Wasti (2003)** in a research conducted in Turkey also proved that organizational commitment is a factor which decides and forecast the turnover intentions. **Morrison (2004)** Assessed all three important components of Organizational commitment and its effect on turnover intentions of nurses; found that organizational commitment is negatively correlated with turnover intentions. This was again proved by the findings of the research by **Korunka et al. (2005).**

Mergers and acquisitions churn different emotions among different groups of employees. While employees of an acquiring company may feel excited about the new challenges, employees from an acquired company may feel concerned, unclear, or even alarmed as they go through these changes **(Machiraju, 2003).** In the process of organizational changes from mergers and acquisitions, employees tend to be anxious with issues such as job security and their future careers with the organization **(Daniel & Metcalf, 2001).**

Kundu S. et al. (2007) in their study conducted factor analysis and brought about five factors of which, two factors namely training & performance appraisal and hiring & compensation system emerged very strong HR practices followed by career development, which affected the

organizational commitment. In their study Job analysis and HR, planning was reasonably practiced in shipping companies. Heterogenous Workforce and flexible working hours are also part of HR practices but did not emerge as strong practice. Poor recruitment and selection in part of both the employer and employee is a big contributing factor, which leads to faster quits by the employee and a poorly designed or complete non-existence of induction program increasing negative effect on employee's intention to stay **(CIPD, 2004).**

Naqvi and Ramay (2008) presented from his study that job satisfaction and organizational commitment does have a negative effect on turnover intentions, In contrast to this observing alternative job opportunities had a notable positive correlation and is directly proportional to turnover intentions of employees and is the major factor responsible for turnover intentions among its professionals.

The kind of compensation policies, faulty recruitments, absence of of faulty performance management systems, suitable reward & recognition and lack of appropriate training and career development opportunity lead to dissatisfaction of an employee, affects his loyalty to the organization and influence his decision of leaving or staying with an organization **(Kundu Subhash 2007, Janet Chew 2008, Govaert Natalie 2011, Jins Joy 2012). Mahal (2012)** proved the positive correlation between HR and organizational practices and a significant positive relation was found in employee retention and organizational and HR practices.

Van Dick et al (2004) also revealed in his research study that job satisfaction can forecast the intentions of turnover; but, they argue that it is a interfering variable between organizational identification and attrition.

Pankaj and Venkat (2014) in their study in organized services sector in Delhi and NCR found that perceived value for job, Organization culture, Job security and Growth opportunities etc are responsible for employee attrition.

Armstrong (2006) his research shows that employee turnover is a normal process of people leaving an organization through retirement, by career or job change, through relocation, because of illness etc.

Verma and Aggarwal (2012) Their study describes eight major theoretical areas for interpretation of quality of work life and they are; appropriate and fair compensation, safe and healthy work environment, self development & development of human competencies, personal growth and security needs, social integration, centralization, total life space and social reliance.

Hale, (1998) presented that as per employers the recruitment costs 50per cent to 60 per cent of an employee's first year's salary and up to 100 % for many specialized, high-skills positions. **Abbasi and Hollman in (2000)** seeking to identify the impact of employee attrition on an organization and he found that excessive employee attrition often give rise to far reaching consequences and at the maximal may risk the efforts to achieve the organizational objectives.

The gap is evident as under –

a. There are no recent scientific and systematic studies on record relating to attrition of employees of life insurance sector,
b. A few studies carried in this area were highly limited in scope and were not holistic. They have studied either the amount of attrition or the cause of attritions in the life insurance sector.

Hence this study is expected to fill this gap through its comprehensive coverage of the issue by studying the reasons for joining, rates of attrition, causes of attrition, impact of attrition etc. It will also offer practical suggestions to control the attrition in the private life insurance companies. The rationale for studying the sector of private insurance companies is that there is stiff competition in this sector and hence attrition becomes an important issue for the sector.