



**ST.MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**CAUSES OF TURNOVER AND ITS INFLUENCE ON  
ORGANIZATIONAL PERFORMANCE  
THE CASE OF NIB INSURANCE S.C**

**BY  
AMARE T/TSADIK**

**October 2013**

**ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY  
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**ST.MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of Ato Elias Berhanu. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name

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Signature & Date

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University , School of Graduate Studies for examination with my approval as a university advisor.

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Advisor

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Signature & Date

## TABLE OF CONTENT

<b>Content</b>	<b>page</b>
ACKNOWLEDGEMENT .....	v
List of Table.....	vi
ABSTRACT .....	vii
CHAPTER ONE.....	1
1. INTRODUCTION .....	1
1.1 Background of the Study .....	1
1.2 Statement of the Problem .....	2
1.2.1 Basic Research Questions .....	5
1.3 Objectives of the Study.....	5
1.3.1 Specific Objectives of the Study.....	5
1.3 Scope of the Study .....	5
1.4 Significance of the Study.....	6
1.5 Organization of the Paper .....	6
CHAPTER TWO.....	7
2. LITERATURE REVIEW .....	7
2.1 Defining Staff Turnover .....	7
2.2 Types of Turnover .....	8
2.3 Turnover Decision Process .....	8
2.4 Effects of Staffs Turnover .....	9
2.4.1 Effects on Employers .....	10
2.4.2 Effects on Workers .....	11
2.5 Measuring employee turnover .....	11
2.5.1 Costs of turn over .....	11
2.5.2 Benefits of turn over .....	12
2.5.3 Turnover Rate .....	14
2.5.4 Recognition and Rewards.....	16
2.5.5 Recruitment and Orientation .....	16
2.5.6 Communications and Employee Participation .....	17
2.5.7 Performance Appraisal and Performance Management .....	18
2.5.8 Causes of turnover.....	19
2.5.9 Factors that affect employee turnover .....	20

CHAPTER THREE.....	21
3. RESEARCH METHODOLOGY.....	21
3.1 Research purpose .....	21
3.2 Research approach .....	22
3.2.1 Quantitative research approach.....	22
3.2.2 Qualitative research approach .....	22
3.2.3 Mixed research approach .....	22
3.3 Research strategy .....	23
3.4 Type of Data.....	24
3.5 Research Method.....	24
3.5.1 Survey design.....	24
3.5.2 Sample Design.....	25
3.5.3 Method of data collection .....	27
3.5.4 Methods of Data Analysis.....	28
CHAPTER FOUR.....	28
4. PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA .....	28
4.1 Background of the organization .....	29
4.2 Characteristic of the Population.....	30
4.2.1 Views of the Management on Employee Turnover.....	30
4.2.2 Views of Current Employees and Ex-Employees .....	33
4.3.2 Analysis of Questionnaire and Exit Interview of Nib Insurance Company .....	36
4.3.3 Analysis of Questionnaires with the Current Employee of the Company .....	40
4.3.4 Effect of Turnover.....	49
CHAPTER FIVE .....	52
4.1 SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	52
4.1 Summary.....	52
4.2 Conclusion.....	53
4.3 Recommendation .....	54
References.....	55
ANNEX I:.....	60
QUESTIONNAIRE.....	60

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## List of Table

Table 3.1 Sample Size Determination .....	26
Table 4.1 Number of Employees in the Company .....	29
Table 4.2 Rate of Turn Over .....	32
Table 4.4 Bibliography of the Respondents .....	34
Table 4.5 Employees Satisfaction in Their Job.....	35
Table 4.6 Pattern of Employee Turnover .....	37
Table 4.7 Types of Turn Over .....	38
Table 4.8 Push Factors of Resigned Employee.....	38
Table 4.9 Pull Factors of Resigned Employee.....	41
Table-4.10 Motivation of Employee to Join the Company .....	42
Table 4.11 Questions Related To Work Place .....	44
Table 4.12 Questions Related With Employees Working Condition .....	46
Table 4.13 Relationship of Employee with Management .....	47
Table 4.14 Questions Related With Working Environments of the Company .....	49
Table 4.15 The Company in Relation With Willingness To Stay In The Company .....	50
Table 4.16 Positive Effect of Turn Over .....	51
Table 4.17 Negative Effect of Turn Over .....	52
Table 4.18 Solution to Avert Rate of Turn Over.....	53

## ABSTRACT

*This study is aimed to identify the main reasons of employee turnover & its effect on the performance of Nib Insurance Company. To obtain information relevant to the study both primary and secondary data was used .The type of research that was used in this paper is a descriptive study. In order to achieve the objective of the study and answer the research questions, mixed research approach was used (qualitative and quantities research approaches).The study used purposive sampling, stratified random sampling and simple random sampling techniques. Data were analyzed using a statistical package for social sciences (SPSS).*

*Result of the study indicated that voluntary turnover is the main type of turnover in the company and most ex-employees left the company because of resignation. From the period 2009/10 to 2012/13 the total number of staffs terminated from Nib Insurance Share Company is counted to 126. This indicates that the organization has lost almost 39% (126 out of 323) of its employees due to different reasons. Of the total terminated 126 employees, the highest share of terminated staff based on position hierarchy is medium and subordinate level of employees.*

*In addition to the above, the majority of the respondents stated that the basic positive effect of turnover on the performance of the company are displacement of poor performer and induction of new knowledge on one hand and on the other hand degraded performance, unaccomplished daily routine activities, increased work load on the existing employees and high cost of replacement are the basic negative effect of employee turnover.*

*Most of the respondents stated that the push factors which lead employees to leave the company are; poor performance management system, staff training and development, opportunity for advancement, salary structure and benefit package of the company, leadership style. The basic pull factors are searching of better salary; benefit package and searching for career advancement.*

*Keywords: Employee Turnover, human Resource, Turnover Costs, Organizational Performance*

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the Study

Human resources are one of the most valuable resources of an organization and indeed an organization is nothing without human resources. Getting and keeping good people is critical to the success of every organization. Labor turnover is an important and pervasive feature of the labor market. (Martin 2003) It affects both workers and the firms. Workers experience disruption, the need to learn new job-specific skills and find different career prospects. Firms suffer the loss of job-specific skills, disruption in production and incur the costs of hiring and training new workers. (Martin et al 2007)

High labor turnover has become a problem for both governmental and non-governmental institutions. Well experienced and qualified professionals leave position they held in their offices. Recently the level of turnover in Ethiopian government as well as non-government organization increase at an alarming rate. Most organizations are facing a frequent turnover of staff, and as such the high turnover is costing them in terms of productivity, money and time.

Turnover is a critical human resource issue in all sectors of the economy. Turnover affects productivity, product and service quality, and profitability. The cost of replacing workers in any company is high, finding skilled employees can be difficult, and investment in training may not pay back as quick as desired, however the degree may vary almost in every organization in every industry faces the turnover problem, which is persistent and expensive.

Turnover has proved to be a drain of profit of an organization; similarly Nib Insurance Company is also vulnerable to turnover related problems. Obviously, firms lose their main productive resources where there is labor turnover. The cost of recruitment and training is long term investment and employees recruited and trained today cannot be productive same day, the learning curve can be longer or shorter depending on the individual workers. In other words, hiring and training of new employees is more expensive than retaining skilled and experienced employees.

The type of costs incurred may be divided into two; employee turnover creates both tangible and intangible costs. The tangible costs include recruitment, selection, and training, fine tuning time, possible product and/or service quality problems, and the costs of agency workers/temporary staff (Morrell, Loan-Clarke and Wilkinson 2004). The intangible costs, which may be even more significant than the tangibles, involve the effect of turnover on organizational culture, employee morale, social capital and organizational memory (Morrell and others. 2004).

According to Abassi and Hollman, (2000) sought to determine the effect of employee turnover on organizations and found that excessive employee turnover often causes far-reaching consequences and, at the extreme, may jeopardize efforts to attain organizational objectives.

In order to reduce turnover, managers should monitor both the extrinsic and intrinsic sources of job satisfaction available to employees. These activities could assist in maintaining and increasing job satisfaction and commitment to the organization (Mellor et al 2007).

This study is aimed to identify the main causes of employee turnover & its effect on the performance of Nib Insurance Company. A number of studies on turnover have been conducted in Ethiopia on various business sectors so far, formerly other researchers might as well have conducted research on Nib Insurance Company.

## **1.2 Statement of the Problem**

Employee turnover may be mostly a negative issue, yet it can become positive if controlled by the organization correctly and appropriately. Turnover is often utilized as an indicator of company performance and can easily be observed negatively towards the organization efficiency and effectiveness. (Glebbeck et al, 2004)

An organization that loses predominantly poorer performance employees may have less cause for concern than ones that lose a disproportionately higher number of its better performers (Werbel et al, 1989). Employees are one of the resources that organizations

need to manage effectively to survive. Employees are not "owned" by organization like any other asset and as such labour turnover is a reality for organizations. At the country level, the situation is aggravated by the rate of brain drain.

There are sizable costs associated with employee turnover-separation pay, the expense of recruiting, selection, and training and so forth (Williams et al, 1994). Monetary and hidden costs are associated with employee turnover. When an employee leaves an organization, it costs the company in:-

- Productivity - When the employee leaves, productivity will usually take a downturn because other workers may have to add the former employee's duties to their own workload, at least temporarily.
- Money - In addition to the costs associated with lower productivity, the company may have to pay employees overtime to get them to take up the slack left by the former employee until a replacement can be found. The organization may also have to fill unemployment claims and pay for the cost of recruiting and hiring a replacement.
- Time - Not only may the employees will be distracted from their regular duties to cover for a former employee, but the organization will have to spend time and money advertising, interviewing, and hiring a replacement employee.

Besides loss of productivity, money and time, the organization also losses in terms of some indirect costs such as low morale of existing employees that may occur due to increased work load or due to the arousing dissatisfaction with the organization.

Once an organization finds and hires a new employee, it still experiences staggering productivity while the employee learns his or her new job. In other words, it costs the organization money every time an employee leaves because it takes even more resources to return back the same level of productivity or level of performance that the organization had before. (<http://www.toolkit.cch.com>)

High labour turnover has become a problem for private institutions. Well experienced and qualified professionals left the organization. Nib Insurance Company is one of the victims of this high labour turnover.

According to Nib Insurance company own record during the period between 2009/10 and 2012/13 from the total of 323 employees 126 were terminated and on the other hand the company recruited a total of 170 employees. Furthermore, according to the employees even at the time of conducting this study some employees were submitting their

resignation letter to the company. Did the management know the real causes of turnover? Is this costing the company or benefiting the company?

Nib Insurance Company is an Insurance Company which provides different insurance services. In order to perform such activity the quality and performance of employees are the basic and most important ingredients. Turnover affects the performance of the company and the morale of co-workers consequently the productivity of the company.

As indicted in Table 4.2, below the turnover rate in the current year is high compared to the other years under review.

$$\begin{aligned} \text{Turnover rate} &= \frac{\text{number of leavers over period}}{\text{Average number of staff employed over period}} \\ &= \frac{126 \times 100}{42.5} = 296\% \end{aligned}$$

The rates of employee turnover in the years under review 296 %.

**Table 4.2 Rate of Turn over**

Year	Total Manpower	No. of Employees terminated	Percentage Terminated	No. of Employees Joined
2009/10	231	20	8.70%	32
2010/11	267	22	8.20%	36
2011/12	316	38	12.02%	49
2012/13	323	46	14.24%	53
Total	323	126		170

**Source: Nib Insurance Company**

Therefore, the researcher is motivated to do this study which is aimed to identify the main causes of turnover and its effect on Nib Insurance Company performance.

### **1.2.1 Basic Research Questions**

- What are the factors that lead to employee turnover at Nib Insurance Company?
- What are the patterns of employee turnover at nib Insurance Company?
- What are effects of employee turnover on Nib Insurance Company performance?
- How can Nib Insurance Company arrest the high employee turnover currently experiencing?

### **1.3 Objectives of the Study**

The general objective of the study is to assess the main causes of employee turnover and its effect on the performance of Nib Insurance Company.

#### **1.3.1 Specific Objectives of the Study**

- ✓ To assess the factors that leads to employee turnover at Nib Insurance Company
- ✓ To find out patterns of employee turnover at Nib Insurance Company
- ✓ To find out the effect of employee turnover on the performance of Nib Insurance Company
- ✓ To recommend possible solution to minimize the effect of turn over

### **1.3 Scope of the Study**

The scope of the study covers all Nib Insurance Company branches in Ethiopia. The paper is delimited by analysis and interpretation of data by taking questionnaire of selected current

employees and the exit interview of ex-employees for the last four years. Due to limitation of time it was difficult to collect all the questioners distributed to the sampled current employees.

There are also little studies that have been conducted in Ethiopia on the topic of the causes of turnover and its effect on the performance of a company particularly in insurance companies.

The scope of the study was limited or reduced to 16 Addis Ababa branch offices due to time and cost constraints, the researcher believes the 16 branches represent all, and hence outlying branches were not included.

#### **1.4 Significance of the Study**

Insurance companies' success can be measured mainly through delivery of quality services to their customers. When labor turnover rate is high the company intended objectives and expected results may not be achieved. Therefore the study is significant in identifying the causes of skilled labor turnover in Nib Insurance Company for the stake holders and the management to take appropriate measures.

Besides, it would be a useful reference for researchers and others interested in this topic, and can serve as a base for any further studies to be conducted in this area of study.

#### **1.5 Organization of the Paper**

This study has five chapters. The first chapter deals with background information, statement of the problem, objective of the study, significance of the study, scope and limitation of the study. The second chapter discusses concepts and theories related to the area of study. The third chapter deals with the methodology of the study. The fourth chapter discusses the findings and analyzes the data. The last chapter makes conclusion and recommendations.



## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1 Defining Staff Turnover

The emergence of different organizations in the nation and the related increase in the requirement of skilled labor force leads for competition of organizations to hire and maintain the best employees. Hence staffs turnover becomes one of the major human resource problems of most organizations. Different scholars have defined staffs turnover in the following manner.

According to Ivancevich and Glueck (1989), staff turnover is the net result of the exit of some employees and entrance of others to the organization. Singh et al, 1994, also define staff turnover as the rate of change in the working staffs of a concern during a definite period. Kossen (2002) defined the staff turnover as it is the amount of movement in and out (of employees) in an organization. Staff turnover is the proportion of staff leaving in a given time period but prior to the anticipated end of their contract (Debebe - 2007)

Most of the above scholars have defined staff turnover in terms of the indefinite period (permanent) employment contract made between employer and employee. As a result they have assumed the in and out movement of all staffs without considering the type of employment. However, Loquercio's (2006) his definition of turnover excludes the expected termination of contractual employees which is much more expected and the general characteristics of most NGOs. Staff turnover that can occur in any organization might be either voluntary or involuntary. Voluntary turnover is refers to termination initiated by employees while involuntary turnover is the one in which employee has no choice in the termination as it might be due to long term sickness, death, moving to overseas, or it is employer-initiated termination.

Turnover can be classified as internal or external. Internal turnover involves employees leaving their current position, and taking a new position within the same organization. Both positive enforcement (such as increased employee motivation and commitment) and negative consequences (such as project/relational disruption) of internal turnover exist, and thus this form of turnover may be as important to monitor as its external counterpart turn over. Internal

turnover might be moderated and controlled by typical human resource mechanisms, such as an internal recruitment policy or formal succession planning.

## **2.2 Types of Turnover**

Though there are many causes for staff turnover in an organization, all of them may not have negative effect on the well-functioning of an organization. Organizations should differentiate between voluntary and involuntary turnovers and take actions on the one that they have control. Voluntary turnovers are those caused by the interest of the employee (e.g. to take job in other organization for better salary) while involuntary turnovers are the decision of management to terminate employees from work (e.g. dismissal for gross misconduct). In general, all resignations not formally initiated by employers are voluntary resignations. Voluntary turnovers are further distinguished between functional and dysfunctional turnovers.

Functional turnovers are the resignation of substandard performers and dysfunctional turnovers refers to the exit of effective performers. Dysfunctional turnover is also the utmost concern of management, due to its negative effect on the organization's general performance, into avoidable turnover (caused by lower compensation, poor working condition, etc) and unavoidable turnovers (like family relocation, serious illness, death, etc) over which the organization has little or no influence. Therefore, management should give special attention to avoidable turnover over which it has control and improves the situation and then staffs retention. Stephen (2004)

## **2.3 Turnover Decision Process**

It is believed by scholars that employees make decision for resignation after making some analysis and there is a very wide variety of possible explanations for their voluntary resignations. People become dissatisfied with their jobs for a range of reasons; as explained by Stephen, employees may become bored with the content of job, frustrated by lack of promotion, fed up with their supervisors or irritated by changes in their working environment. In some cases the job may simply fall short of their expectations at the time of appointment. However, Stephen (1975) also suggests that, such phenomena are only half the story in most cases, for a resignation to occur the individual concerned must first perceive that there are

better opportunities elsewhere and then secure another position. The following ten steps are the decision process for the voluntary turnover. Stephen (2005)

Evaluate existing job, Experience job dissatisfaction, Think of quitting, Evaluate expected utility of search for a new job and the cost of quitting, Decide to search for alternatives, Search for alternatives, Evaluate alternatives, Compare best alternative with present job  
Decide whether to stay or quit, Quit

It is therefore important, when assessing the reasons for turnover and devising remedial plans, to take into account not just employee dissatisfaction, but also the possible alternatives open to employees, as well as the relative ease with which any such opportunities can be taken up.

## **2.4 Effects of Staffs Turnover**

There is some debate in the literature about how far employers should be concerned about turnover levels. Some writers have emphasized the potentially positive effects of a continuous transfusion of fresh blood into the organization. As cited by Stephen Taylor, (Carell et al 1975) distinguish between functional and dysfunctional turnover, and suggest that the former serves to promote innovative ideas and methods and can thus renew a stagnating organization, while (Hom and Girffeth 1995) also draw attention to research that has shown functional turnover to be commoner than the dysfunctional form. The net result is an improvement in productivity as poorer employees quit, leaving a higher proportion of good performers to enhance organizational effectiveness. They also note that high turnover gives employers more opportunity to promote and develop valued staffs and reduces the need to make costly redundancy when there is a downturn in business. High turnover is probably least worrying in industries employing people in relatively low skilled occupations that nevertheless required high levels of customer service (e.g. fast food restaurants and telesales operations). As cited by Stephen Taylor, (Kearns 1994), this is because the employer wishes to tie together what is, in all likelihood, a short term burst of enthusiasm on the part of the employee. Such a situation has allowed the various brands of burger restaurant to expand rapidly across the world while coping with annual turnover rates averaging 300 per cent as cited by Stephen 2004 see (Ritzer 1996:130 and Capelli 2000)

Despite these points it is safe to conclude that for most organizations turnover in excess of 5-10 percent has more negative than positive consequences. The more valuable the employees

in question, the more damaging the resignation – particularly when they move on to work for a competitor. Aside from the costs directly associated with the resignation, there are further good reasons for employers to minimize the numbers of employees leaving. These include productivity losses, impaired quality service, lost business opportunities, an increased administrative burden and employee demoralization.

### **2.4.1 Effects on Employers**

Direct recruitment costs (advertising, use of agents etc)

Recruitment administration (responding to enquiries and sending out application forms, equal opportunities monitoring)

Selection costs (traveling expenses for candidates, psychometric testing staffs time in interviewing or running assessment centers, checking references)

Development costs (training the new employee using formal and informal development methods, induction training)

Administrative costs associated with resignations (pay-roll arrangements, calculation of holiday entitlements, pension transfers, conducting exit interviews)

Administrative cost associated with new starters (contract writing, medicals, sending out documentation, issuing uniforms, parking permits, identity badges, company cars etc, relocation expenses for new starter)

Inefficiency in production or service provision (resulting from slackness on the part of the resigned, inexperience of the replacement employee and inefficiencies resulting from a period in which the vacancy is unfilled)

Overtime and costs of hiring temporary workers (during the period between resignation and the hiring of a new member of staffs).

The team spirit among the workers is distributed due to high staffs turnover as newly recruited very often.

The market reputation of the employer is adversely affected due to high staffs turnover. May not be able to meet customer orders and expectations on timely manner. Stephen (2004) CIPD.

### **2.4.2 Effects on Workers**

Stephen (2004) It is clear that some are more readily quantifiable than others: incorporating materials from variety of sources (Fair 1992, IDS 1995, Casico 2000, Griffeth and Hom 2001 and IRS 2001)

Due to shifting of employment, a worker has to sacrifice the benefits of his previous service. Such benefits include pension, provident fund, yearly increment, leave and so on. All benefits go once workers give up his stable job.

A worker develops special skills and ability due to long and continuous service in industry. This skill is his personal assets. However, it may become meaningless if the worker leaves the present job and joins a new one.

The worker may not be able to adjust on a new job in a new organization. This put tremendous mental pressure on him.

A worker who changes his job quite often may be looked upon by others including employers with suspicion.

The work environment changes when a worker shifts from one unit to another.

## **2.5 Measuring employee turnover**

### **2.5.1 Costs of turn over**

Although retention experts agree that calculating the costs of employee turnover is valuable, surprisingly few companies actually do so. This is particularly true among smaller organizations where the day-to-day demands of running the business take priority, and few take the time to figure out how much it costs them to replace a lost employee. Source: Edward Lowe Foundation (<http://www.edwardlowe.org>) understanding the cost of turnover

There are both direct and indirect costs. Direct costs relate to the leaving costs, replacement costs and transitions costs, and indirect costs relate to the loss of production, reduced performance levels, unnecessary overtime and low morale. (Zuber, 2001)

Separation costs include:

- The costs incurred for exit interviews;
- Administrative functions related to termination;
- Separation/severance pay; and
- Any increase in unemployment compensation.
- Vacancy costs include the net cost/savings incurred due to increased overtime or temporary employees needed to complete the tasks of the vacant position.

Replacement costs include the cost of:

- Attracting applicants;
- Entrance interviews;
- Testing;
- Travel/moving expenses;
- Pre-employment administrative expenses;
- Medical exams; and
- Acquisition and dissemination of information

In addition to the above there are other soft costs associated with the departing employee that may be more difficult to quantify but need to be addressed, including: (Cascio, 1991).

- Loss productivity of coworkers
- Loss productivity of supervisor/manager
- Productivity lost if position remains vacant
- Lost productivity during training

## **2.5.2 Benefits of turn over**

### **2.5.2.1 Compensation Levels**

Competitive compensation packages can signal strong commitment on the part of the company, and can therefore build a strong reciprocal commitment on the part of workers. However, to the extent that it contributes to retention, competitive compensation is also likely to affect both desirable and undesirable turnover: it will help to retain workers, irrespective of the quality of their contribution to the company. (Lochhead and Stephens, 2004).

While there is general agreement about the importance of competitive compensation for employee retention, there is also a growing consensus that competitive, or even generous

compensation will not single-handedly guarantee that a company will be able to keep its most valuable employees (Lochhead & Stephens 2004)

Building “affective commitment” (Meyer et al, 2003) involves much more than paying well, and that retention based on the principle of “compensation-based commitment” is sensitive to changes in compensation within the company. Employers that base their retention on compensation-based commitment will always be vulnerable to the possibility that their competitors will be able to offer better wages and thus lure away their employees.

According to Branham (2000) compensation can also drive commitment-oriented behavior by:

- Sending employees a strong message about what results are valued.
- Recognize and reinforce important contributions so that employees feel valued.
- Provide a sense of “emotional ownership” and increased commitment that comes from giving employees “a piece of the action.”
- Maintain or cut fixed payroll costs and allocate variable pay to the employees they most want to attract and keep.

### **2.5.2.2 Benefits**

Benefits can demonstrate to employees that a company is supportive and fair, and there is evidence to suggest that stable benefits are at the top of the list of reasons why employees choose to stay with their employer or to join the company in the first place (Tompkins and Beech, 2002). However, it is often the case that many employees do not realize the “true value” of the benefits they receive. Nor are they always sure what motivates the employer to provide these benefits. Thus, the link between benefits and employee commitment is not always strong (Meyer, 2003).

### **2.5.2.3 Performance-based Compensation**

In general, the key purpose behind performance-based compensation is twofold. It is (i) a means of modifying individuals’ behavior within an establishment in order to better align their activity with particular business objectives, and (ii) a way of influencing the development of

particular types of organizational culture e.g., team-based pay can lead to a stronger team-based culture, skill-based pay or profit-sharing can contribute to a culture of stability and mutual commitment, etc.; (Meyer, 2003)

Lawler's 1990 typology of compensation systems cited in (Lochhead et al 2004) states the list presented below as a retaining mechanism for performance-based pay.

- i. Incentive Pay: systems pay pre-determined amounts for each unit produced (piece-rate).
- ii. Merit pay: allocates pay increases based on individual performance. It can play a major role in attracting and retaining particular employees, and can lead both to good retention and beneficial turnover, i.e., good performers stay and poor performers leave.

The domino effects of cost-savings affect the ability to retain talented employees. In many cases, employees seek opportunities elsewhere because they are looking for job challenges as well as better benefits. (Meyer, Stanley, Topolnytsky, and Herscovitch, 2001)

### **2.5.3 Turnover Rate**

Employee turnover rates can serve as a useful management tool. Their interpretation, however, requires a great deal of care. Low turnover can signal good employee-employer relations or stagnation. High turnover can mean costly loss of experienced personnel or the introduction of needed fresh talent and new ideas. Increases and decreases in turnover rates can indicate changes in labor market conditions and employee reaction to alterations in working conditions, management practices, and compensation policy. Mark Musell, (1986)

There are a number of ways to measure the employee turnover rate.

#### **2.5.3.1 Crude Turnover Rate**

Typically, organizations use the crude wastage rate for measuring turnover. This calculates the number of leavers in a given period as a percentage of the average number of employees during the same period. S.Abera (2007) Most organizations simply track their crude turnover rates on a month by month or year by year basis. The formula is simply:

$$\text{Turnover Rate} = \frac{\text{Total number of leavers over period}}{\text{Average number of employees}} \times 100\%$$



## **Average number of staff employed over period**

### **2.5.3.2 Stability Index**

This measure gives an indication of the extent to which experienced employees are being retained. It can be used to calculate the stability of the whole organization or of a particular group of employees. A stability index indicates the retention rate of experienced employees. Like turnover rates, this can be used across an organization as a whole or for a particular part of it. The usual calculation for the stability index

$$\frac{\text{Number of staff with one or more years' service}}{\text{Number employed a year ago}} \times 100\%$$

**Number employed a year ago**

Source: Meat industry Training Advisory council (MINTRAC) limited November 2011

### **2.5.3.3 Resignation rates**

Another way of measuring turnover is to base turnover rates on voluntary leavers or resignation rates only, thus excluding employees who have left for other reasons such as retirement, redundancy, dismissal or redeployment to another part of the organization. However, basing turnover rates on voluntary leavers can also have its drawbacks because it does not indicate how many staffs need recruiting to cover those employees who have left because of retirement or voluntary internal transfers. One solution is to record separate turnover rates for voluntary and involuntary leavers.

Source: Meat industry Training Advisory council (MINTRAC) limited November 2011

### **2.5.3.4 Vacancy rate**

Another approach is to place a greater emphasis on the number of vacancies that need to be filled. The vacancy rate is based on the number of positions an organization actively wishes to recruit to as a percentage of the number of overall employees.

Source: Meat industry Training Advisory council (MINTRAC) limited November 2011

### **2.5.3.5 Cohort analysis**

This technique enables an organization to understand service-related leaving patterns by taking the leaving rates of a (usually homogeneous) group of employees who joined at the same time. Cohort analysis is a useful tool for organizations concerned about turnover costs due to high expenditure on recruitment, induction and training.

Source: Meat industry Training Advisory council (MINTRAC) limited November 2011

#### **2.5.4 Recognition and Rewards**

Rotundo (2002) argues that reward systems ought to be a significant sphere of innovation for employers. The increasing diversity of the workforce, she says, suggests the need for more creative approaches to tailoring the right rewards to the right people. It would, however, be impossible to list all of the various types of recognition and rewards that companies actually give their workers. It is clear that recognition and rewards—as part of a more comprehensive effort at keeping workers or adopting good workplace practices—can contribute to increased retention.

#### **2.5.5 Recruitment and Orientation**

How companies recruit and how they provide orientation in the first days on the job can be of crucial importance to keeping workers over the longer term. Failure to effectively recruit and orient employees may impose significant separation and replacement costs down the road (Lochhead & Stephens 2004). Smith (2001) cited in Lochhead & Stephens (2004) attributes 60% of undesirable turnover to bad hiring decisions on the part of the employer. “Bad hiring decisions” may cover a number of considerations, including overly hasty selection processes that fail to ensure that the job candidate really has the adequate skills and qualifications to do the job for which she or he is hired.

Research confirmed that good employee retention is in part a result of a good “fit” between a company’s workplace culture, its way of doing business and the qualities that it espouses as valuable and the interests, character, and motivations of the individuals that exist within it. In terms of recruitment, companies should therefore put an emphasis on not only evaluating formal qualifications, job-relevant technical ability, etc., but also more general types of

qualifications and dispositions on the part of the recruit. If work in the company involves being part of a highly cohesive team, the company may want to recruit individuals who are interested in and capable of working in such an environment. (Lochhead& Stephens 2004)

It is important for the individual job candidate to have a fair chance at deciding whether the company is a good fit for him or her. Meyer et al (2003) have emphasized the importance of providing “realistic job previews” to potential employees. These previews provide potential new hires with more than just a cursory glance at a company’s operations, providing the candidate with enough information to make a decision about whether it is the right workplace for her or him.

The company must have at its disposal the right tools to enable it to make reasonably accurate evaluations about the type of people it might hire; and there exist a great number of evaluation tools at the employer’s disposal. We simply wish to suggest that allowing both parties to the employment contract to make informed decisions can help to ensure that the right hiring decision is made. (Lochhead& Stephens 2004)

Including one’s employees in helping to evaluate candidates may also be particularly effective with respect to retention in workplaces where team-based work is the norm (Meyer, 2003). Allowing employees to have a say in who they are working with, and asking for their assistance in evaluating whether that person is a good fit, may prove helpful in ensuring that the candidate not only has the requisite experience but will also be an effective member of the work team.

## **2.5.6 Communications and Employee Participation**

Most, if not all, of the other types of practices described above fundamentally depend on a sound approach to communicating with employees. Without communications, many of these practices would be difficult to implement, or it would at least be difficult to implement them with the goal of retaining employees. To illustrate with examples: (Lochhead& Stephens 2004)

- i. Employees are often unaware of exactly how competitive their wages and benefits really are. If the employer is not effective at communicating the content of total compensation and benefits, employees may lack the information to form judgments

about the company, and may end up not forming a strong commitment to the company.

- ii. The need for good communications is especially great under pay-for-performance plans if employees are to align their behavior at work with the intended rewards and outcomes.
- iii. Professional development and career tracking must rest on a solid foundation of communication if employees are to understand their place and their future within the company, and what they need to do to follow a developmental path.
- iv. A good system of employee referrals relies upon a workplace environment where management is receptive of suggestions from employees and actively uses open communication channels to secure vital feedback from its workers.
- v. The incidence of high stress and its attendant consequences for employee health and wellbeing is in part a function of inter-personal relations in the workplace (which mediate and are mediated by communications) and the availability of open and trusted lines of communication that can help to identify potential health problems before they become too severe.
- vi. The implementation of autonomous work teams, self-scheduling, job rotation, etc. depends on effective adherence to forms and standards of communication that are appropriate to and supportive of such ways of organizing work.

This is hardly an exhaustive list, but it does underscore the conclusion that communication is a basic building block of any effective retention practice.

### **2.5.7 Performance Appraisal and Performance Management**

Performance appraisals are not uncommon to organizations. However, what counts as an appraisal or performance management varies a great deal in sophistication and organization. The process of employee performance evaluation should be closely tied to strategic objectives, provide good feedback to employees and give them a view of their longer-term progress within the company, and potentially married to training and other development opportunities.

Generally speaking, performance management seeks to:

- i. Develop an objective basis for talking about performance;
- ii. Let employees know the difference between acceptable and unacceptable results;
- iii. Increase job satisfaction by letting teams know when a job is well done;
- iv. Let new staff know about expectations regarding job performance, and;
- v. Encourage an open and trusting relationship with employees. Lochhead & Stephens (2004)

According to Meyer et al (2003), performance management aligns the goals of individual members to those of the organization with which they are associated. It requires clearly articulated and well-communicated strategic goals for the organization as a whole. The design of a performance management system, according to Meyer, involves five essential components:

- i. A Strategic Plan. Set by the top of the organization, it serves as the starting point for division, unit, team and individual goal setting.
- ii. Individual goals are set jointly by managers and employees. Managers play an important role in communicating how these goals relate to goals in successively larger units of the company. Managers may also help to relate performance goals to employee development concerns.
- iii. Monitoring, Feedback and Coaching. Managers are instrumental in helping employees to monitor their performance and development, and make changes where necessary. Performance management requires more of a coaching role for the manager, and greater participation by the employee. Training is required to support these expanded roles.
- iv. Formal performance reviews should take place at regularly scheduled intervals and should focus on progress with respect to goal attainment, and to setting goals for the next cycle
- v. Evaluation. The performance management system must itself be the subject of evaluation.

### **2.5.8 Causes of turnover**

High turnover often means that employees are unhappy with the work or compensation, but it can also indicate unsafe or unhealthy conditions, or that too few employees give satisfactory

performance (due to unrealistic expectations, inappropriate processes or tools, or poor candidate screening). The lack of career opportunities and challenges, dissatisfaction with the job-scope or conflict with the management has been cited as predictors of high turnover such as economy, performance of the organization, organizational culture, and characteristics of the job, unrealistic expectations, demographics, and person.

### **2.5.9 Factors that affect employee turnover**

General, the factors affecting employee turnover is particularly considered in terms of “pulled”, “pushed” and “outside” factors. Employees are “pulled” to resign by number of attractive alternatives outside the organization or whether they are “pushed” due to the level of job dissatisfaction in the organization. (Arnolds and Boshoff, 2004; Bagraim, 2003)

#### **2.5.9.1 Pull Factors**

Pull factors are the series of reasons that attract the employees to a new workplace. In this category the employees satisfy with better paying job, a career advancement opportunity that they would not receive in the short term when they stayed with their present employer. Employee leaves their current job in order to improve their life standards and also concerning to the new benefits package which they expect to receive. In addition there are broader notions of career development, the wish to move into new areas of work for which there are better practical questions commuting time. (Wasti, 2003).

#### **2.5.9.2 Push Factors**

Employees are 'pushed' due to dissatisfaction in their current jobs to seek alternative employment. Employees start thinking about other choices, talking to recruiters, looking at the job advertisement in the newspaper, on the internet or to others advertisement sources. In some case employees will even leave without having a new job prepared. A wide range of problems can be mentioned to explain such resignations. Insufficient development opportunities, boredom, ineffective supervision, low levels of employee involvement and straightforward personality's conflicts are the most common accelerating factors for the employees to leave their job. (Wasti, 2003).

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

Many researchers have written extensively on research methodology. The underlying factor in most studies on research methodology is that the selection of methodology is based on the research problem and stated research questions. Methodologies cannot be true or false, only more or less useful (Silverman, 2001). Nachamias et al. (1996) for instance states that methodologies are considered to be systems of explicit rules and produced, upon which research is based, and against which claims for knowledge are evaluated. Conducting any type of research should be governed by a well-defined research methodology based on scientific principles.

#### **3.1 Research purpose**

There are three types of academic researches depending on the problem area and the nature of the phenomenon that it studies. The purpose of the research can be Exploratory which deals with unknown problem, Descriptive in which there is an awareness of the problem and Explanatory, where the problem is clearly defined (Ahmed 2011).

The purpose of this thesis is to conduct Descriptive cross sectional study design is adopted in conducting this study. Descriptive studies are usually the best methods for collecting information that demonstrates relationships and describe the world as it exists. These types of studies are often done before an experiment to know what specific things to manipulate and include in an experiment. Bickman and Rog (1998) suggest that descriptive studies can answer questions such as “what is” or “what was.” Therefore, descriptive survey design is appropriate to answer the question what are the root causes of employee turnover and its effect on the performance of Nib Insurance Company. Kothari (1985) notes that descriptive design is concerned with describing, recording, analyzing and reporting conditions that exist or existed. Engelhart (1972) argues that descriptive methods are widely used to obtain data useful in evaluating present practices and in providing basis for decision-making.

## **3.2 Research approach**

Research approach is selected by researcher(s) based on the research purpose, the nature of the research, the problem area, and research questions (Alhamdani et al. 2006). The research approach in this study is chosen based on the purpose and the research questions set out to be addressed. According to Creswell (2003) There are three basic types of research approaches, quantitative, qualitative, and Mixed approach.

### **3.2.1 Quantitative research approach**

Quantitative research approach is based on the philosophy of post positivism worldview. It is also reductionist in that the intent is to reduce the ideas into a small, discrete set of ideas to test, such as the variables that constitute hypotheses and research questions. In addition, quantitative approach uses statistical methods in describing patterns of behavior and generalizing findings from samples to population of interest, and employs strategies of inquiry such as experiments and surveys (Creswell 2003).

### **3.2.2 Qualitative research approach**

Under qualitative approach or social-constructivist worldview, inquirers generate or inductively develop a theory or pattern of meaning rather than starting with a theory as in post positivism. Qualitative researchers tend to use open-ended questions so that participants can express their views and meanings are constructed by human beings as they engage with the world they are interpreting (Creswell 2003).

### **3.2.3 Mixed research approach**

Mixed research approach or pragmatist worldview is not committed to any one system of philosophy and reality. In this approach, inquirers draw liberally from both quantitative and qualitative assumptions.

Employing this approach is used to neutralize or cancel the biases of applying any of a single approach and a means to offset the weaknesses inherent in a single method with the strengths of the other method (Creswell 2003). Mixed research approach opens door to multiple methods of data collection and helps to generate the findings to a population and develop a



detailed view of the meaning of a phenomenon or concept for individuals (Creswell, 2003). This research approach pose the researcher to the challenges that need for extensive data collection, the time-intensive nature of analyzing both text and numeric data, and the requirement for the researcher to be familiar with both quantitative and qualitative forms of research (Creswell, 2003).

Mixed methods approach can be implemented in different ways. The literature identifies three strategies in integrating the two approaches, i.e. quantitative and qualitative methods (Wollela 2009). First concurrent, in which the quantitative and qualitative phases occur simultaneously; second, sequential, in which the researcher starts with gathering qualitative data and then gathers quantitative data or vice versa in two different phases; and third, transformative where the researcher (either concurrently or sequentially) may be able to give voice to diverse perspectives, to better advocate for participants or to better understand a phenomenon or process that is changing as a result of being studied.

In order to achieve the objective of this study and answer the research questions researcher adopts mixed research approach to assess the main factors that affect employee turnover in Nib Insurance Company.

### **3.3 Research strategy**

The most important condition for differentiating among the various research strategies is to identify the type of research question being asked (Creswell, 2003; Hair et al. 2006; Leedy, 1989; McNabb, 2004; and Yin, 1989). It is possible to identify some situations in which all research strategies might be relevant and other situations in which two strategies might be considered equally attractive. We can also use more than one strategy in any given study. To this extent, the various strategies are not mutually exclusive. But we can also identify some situations in which a specific strategy has a distinct advantage (Yin, 1989).

According to Yin (1994), there are five strategies to collect data and get results: experiment, survey, archival analysis, history and case study. In addition, there are three criteria to determine the research strategy: types of research questions, control over behavioral events, and focus on present events. But it is important to notice that boundaries among the above methods are not completely clear, they may overlap each other.

In this study, Survey approach is chosen, because the research questions are focused on: What are the factors that lead to employee turnover at Nib Insurance Company? What are the patterns of employee turnover at nib Insurance Company? What are effects of employee turnover on Nib Insurance Company performance? How can Nib Insurance Company arrest the high employee turnover currently experiencing? So the types of questions are in the form of “what. This research does not require control over behavioral events but it focuses on current issues.

### **3.4 Type of Data**

Both primary and secondary type of data was used to conduct the study. Primary data was collected through interviews and questionnaires. This gives specific responses to the research questions. Primary data is recognized as data is gathered for a specific research in response to a particular problem through interviews and questionnaires. While secondary data was collected from various document like annual reports, local and international newspaper related with issues of turnover, Research reports, books and journal articles.

### **3.5 Research Method**

This research paper intended to assess the cause of turnover and its effect on the performance of Nib insurance. To undertake this research, the specific methods of data collection used is survey, semi-structured interview and document sources. Survey for the quantitative strategy is used through distributing self-administered questionnaires. Questionnaires are distributed to the head office staff of the company by systematically random sampling method.

#### **3.5.1 Survey design**

Survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. Its purpose is to generalize from a sample to a population so that inferences can be made and it is also economical and rapid turnaround in data collection (Creswell, 2003); and this method is important for collecting large amounts of raw data using question and answer formats (Hair et al. 2006). Survey had conducted via self-administered questionnaire from the randomly sampled staff of Nib Insurance; because questionnaire is a common place instrument for observing data beyond the physical reach of the observer (Leedy, 1989). The main advantage of survey is its ability to

accommodate large sample sizes at relatively low costs, ease of administration and ability to tap in to factors that are not directly observable (Hair et al., 2006).

As briefly discussed in the above, questionnaires were distributed to the randomly sampled staffs of Nib insurance, and semi-structured interview was conducted with the human resource management of the company.

The questionnaires are divided into two sections. Section I captured basic demographic information of the respondents such as age and educational back ground, Section II captured information about the factors and pattern of employee turnover in the company.

### **3.5.2 Sample Design**

Sampling is the process of choosing, from a much large population, a group about which wish to make generalized statements so that the selected part represent the total group (Leedy, 1989). The number of employees today is 323 in the company and 126 employees resigned from the company within three years period.

#### **3.5.2.1 Sample Size and Sampling Method**

Perhaps the most frequently asked question concerning sampling is “ What size sample do I need?” the answer to this question is influenced by a number of factors, including the purpose of the study, population size, the risk of selecting a ”bad” sample, and the allowable sampling error (Israel, 1992).In addition to the purpose of the study and population size, three criteria usually need to be specified to determine the appropriate sample size, the level of precision, the level of confidence or risk, and the degree of variability in the attributes being measured (Miaoulis and Michener, 1975)

In order to determine the appropriate sample size, Taro Yamane’s (1967) simplified formula was used .This formula helps to determine the sample size of Finite Population. If the population is finite it should be corrected to a desired level of precision.

In the case of NIB Insurance Company the population size is 323, we use 95% confidence level,  $P=.5$  (maximum Variability) and the desired precision level  $\pm 5\%$ .

Then, we get the following sample size figure by using the simplified formula of Taro Yamane below.

$$n = \frac{N}{1 + N(e)^2}$$

Legend:

n = Sample size N= Population Size e= the desired level of precision

Nib insurance has 323 employees; the required sample size is as follows:

$$n = \frac{323}{1 + 323 (0.05)^2} \approx 179$$

$$n = 323/1.8 \approx 179 \text{ or } 55.6\% \text{ of the population}$$

As we are not expecting 100% response from the participants we distributed questionnaires to more number of participants to get at least 179 respondents. If we hadn't get 179 respondents we would have reduced our desired precision level to 7% or 10%. The result is supposed to answer the research question.

The study used purposive sampling, stratified random sampling, simple random sampling techniques. Purposive Sampling method is a non- probability sampling procedure that ensures to achieve a certain goal that is wanted to be address. Key informants (heads of departments) are purposively sampled due the information they have by the virtue of the positions they hold. While stratified sampling which probability sampling was used for the sake of grouping the samples in strata that have similar characteristics. The main respondents were stratified on the basis of their departments. Simple random sampling which a probability sampling was used in order to select the number of samples (ex-employee) from the total population. Table 3 shows the total sample to be used in the study

- The study targeted workers of Nib Insurance Company in eight departments. The departmental managers were interviewed and also the subordinates in those departments. The departmental managers were interviewed because by virtue of their positions, they have information on policy areas while the subordinates shed light on

why NIC is experiencing labor turnover. Kothari (1990) states that a study population refers to all items in any field of study.

- 55.6% of the total employees both male and female, various age groups were participants,

*Table 3.1 sample size determination*

Department Name	Target Population	Sample size (56%) main respondents	Key informants	total Sample
Life Business	8	5	1	6
IT	5	2		4
Human Resource & Logistics	28	16	1	17
Finance	22	12	1	13
Marketing & Business development	5	3	1	4
Underwriting	165	92	1	93
Claims	66	37	1	38
Legal Services	9	5	1	6
Engineering	5	3	1	4
Internal Audit	6	4	1	5
<b>Total</b>	<b>319</b>	<b>179</b>	<b>9</b>	<b>40</b>

### **3.5.3 Method of data collection**

In order to collect sufficient data that can answer the research questions, researcher designed two surveys; the first was a questionnaire to get quantified results. The second survey was interviews aimed to collect data from the HR managers. In addition to questionnaire and interview, data collected from different published and unpublished materials has been also used.

#### **3.5.3.1 Questionnaires**

As indicated in the above, the staffs of the systematically randomly sampled staff are included in the survey. A questionnaire was distributed to all 179 professional staffs Nib Insurance Company staffs and takes an exit interview of 65 numbers of resigned employees. Questions present in the form of

affirmative statements, relating to the concepts on the factors that affect Employee turnover, in such a way to enable measurement of the respondent's opinions.

The questionnaires were structured in close-ended type and responses to the questions were measured on a five Likert rating scale where: Strongly Agree (SA) = 1; Agree (A) = 2; Neutral (N)=3, Disagree (D) = 4; and Strongly Disagree (SD) = 5; The use of Likert scale is to make it easier for respondents to answer question in a simple way and the questionnaires which is prepared by the company for exit interview included yes or no questions and open ended questions. In addition, this research instrument permitted an efficient use of statistics for the interpretation of data. Moreover, the central issue to argue that Likert scales is that it produce ordinal data. Johns (2010) noted that in statistical terms the level of measurement of the Likert response scale is ordinal rather than interval: that is, we can make assumptions about the order but not the spacing of the response options. Thus, the permissible descriptive statistics that can perform on ordinal data is median (or average response) and mode (or more frequent responses) (Hole 2011).

### **3.5.3.2 Interviews**

In the qualitative strategy, semi-structured interview was conducted with the human resource manager. The major purpose of this interview is to corroborate certain facts that the investigator already thinks have been established (Yin, 1989; 89). Therefore, the semi-structured interviews were conducted to enhance and supplement the results of questionnaires.

### **3.5.4 Methods of Data Analysis**

There are certain tasks to be accomplished before in-depth analysis can occur. Coding of transcribed data from interviews and questionnaires is an initial step in the process. Merriam (1998) describes the process of data analysis is a complex action of moving back and forth between data and concepts, between description and interpretation, using both inductive and deductive reasoning. In general data is summarized, edited, coded, tabulated and analyzed.

## **CHAPTER FOUR**

### **4. PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA**

This chapter presents characteristics of the population under study, analysis and interpretation of the data collected. The analysis and interpretation are given after each table.

## 4.1 Background of the organization

Nib Insurance Company (S.C.) is a Private Insurance Company established in May 2, 2002 by 818 Shareholding members. Nib Insurance is also a sister company of Nib International Bank (S.C.), one of the well-known Bank in Ethiopia. By expanding its services and increasing its efficiency, Nib Insurance, is said to be one of the competitive private insurance companies.

Nib Insurance claims that it is a broad-based private Insurance Company in Ethiopia with fully paid up share capital of Birr 30 million. The Company's authorized capital is Birr 50 million. The Company's paid up and authorized Capital are expected to be raised to Birr 50 million and 100 million respectively. Due to the nature of its shareholding base, the Company has strong business support from a large segment of the public and its shareholders. There are 323 employees within the company to perform various activities.

*Table 4.1 Number of Employees in the Company*

Department Name	Number of employee
Life Business	8
IT	5
Human Resource & Logistics	28
Finance	22
Marketing & Business dev't	5
Underwriting	169
Claims	66
Legal Services	9
Engineering	5
Internal Audit	6
Total	323

### Products of Nib Insurance Company

- Motor Comprehensive Insurance Policy
- Third Party, Fire and Theft
- Third Party Only

- Fire insurance policy
- Burglary and house breaking insurance policy
- Plate glass insurance
- Marine cargo/goods in transit
- Inland transit insurance
- contractor's "all risks" (car) insurance
- Erection all risk (ear) insurance
- Contractor's plant and machinery (cpm) insurance
- Machinery breakdown
- Boiler and pressure vessel insurance policy
- Electronic equipment (ee) insurance
- Public liability insurance
- Professional indemnity insurance
- Products liability insurance
- Carrier's legal liability policy

## **4.2 Characteristic of the Population**

Among the 323 current employees of the company, the number of selected respondents was 190 (59%), out of which 179 (96%) have responded and returned the questionnaires.

The second group was ex-employees of the Company who left the organization over the past four years. During the past four years, 126 employees resigned from the company, out of whom only 65 filled out an exit interview.

### **4.2.1 Views of the Management on Employee Turnover**

In this subsection, the results of the interview made with the Personnel Administration Manager on issues related to intensity, reason, cost of employee turnover and retention mechanisms followed by the company to tackle the problem are presented. The results are



important in providing comparison on what management think as causes of employee turnover and what employees perceive as causes of turnover at Nib Insurance Company.

#### **4.2.1.1 Reasons for Termination**

The Management of the company is aware of the mobility of manpower which occurs at a significantly higher rate which has almost caused an operational disruption. As per the view of the human resource manager; the organization is losing its experienced manpower mostly to other private organizations where the compensation is higher than Nib Insurance Company.

During the exit interviews and from the resignation letter employees submitted, management tried to understand the main reason for termination of the contract, also the researcher has tried to look at 65 ex-employee personal files and their exit interview that resigned during the last four years and according to the records in the file , the root cause for terminating their jobs is looking for better salary, better working environment, better post, and other personal reasons such as career development, educational opportunity, family relocation etc.,

The Human Resource Manager also said that there is equal opportunity for promotion and development for all employees in the organization. Whenever there is vacancy, a job opening announcement is posted on a notice board where everyone can access the information and copy of same job announcement will be distributed to all branch offices so that branch employees will have the chance to apply and compete for the vacancy. According to him, the basic criterion for promotion is the performance evaluation of that individual employee and the result of his or her written exam. The company recognizes the contribution of each employee to the achievement of company objective; especially the top performers are recognized by promoting them to a higher level. However, the performance of the employees has not been evaluated properly since the last three to four years due to the failure of the performance evaluation method, and as a result the organization has resorted to seniority as the basic criteria for promotion.

#### **4.2.1.3 Cost and Retention Mechanisms**

The company uses newspaper advertising mostly Reporter, Ethiopian Herald and Addis Zemen on one hand and uses a web site like ethiojobs.com, and employeethiopia.com to

notify potential applicants for available posts. It costs on average ten to fifteen thousand Birr to advertise the posts on the newspaper. The company measures only the cost of advertising and other costs such as induction costs, training and socializing costs, selection costs and costs of cover (temporary employees or overtime) are not measured .

As a retention mechanism, the company is in the process of improving its salary scale. The management of the Company has currently contracted a consultant to work on the organization structure and salary scale of the organization. The management of Nib Insurance Company is convinced that the main reason why most of its employees are leaving is mainly due to the poor salary scale it has.

## 4.2.2 Views of Current Employees and Ex-Employees

In this subsection the views of both current employee and ex-employee respondents are presented.

*Table 4.4 Characteristics of the Respondents*

Item	Measurement	Current Employees		Ex-employees	
		No	%	No	%
Age	20-30	47	26%	21	32%
	31-40	71	40%	33	51%
	41-50	55	31%	11	17%
	Above 50	6	3%		
Gender	Male	109	61%	49	75%
	Female	70	39%	16	25%
Marital status	Single	58	32%	23	35%
	Married	121	68%	42	65%
	Separated	0	0	0	0
Qualification	12 complete	0	0	0	0
	Diploma	23	13%	7	11%
	First degree	141	79%	49	75%
	Second degree	15	8%	9	14%
	PhD	0	0	0	0
Experience	Below 3 year	25	14%	48	74%
	3-5 year	96	54%	11	17%
	5-10 year	31	18%	6	9%
	Above 10 years	25	14%		

As shown in table 4.4: 26 % are in the age 20-30, 40% are in the age between 31 and 40, 31% are in the age between 41 and 50; and 3% are above 50 years of the current employee respondents; 32%, 51% and 17% of ex-employees are in the age between 20 and 30; between 31 and 40 and between 41 and 50 respectively. The majority of current and ex-employees respondents (66% and 83% respectively) are below the age of 40. Age is consistently and negatively related to turnover. Younger employees are more likely to resign than older employees. The data shows majority of the respondents are young and hence more probability of turnover.

As indicated in table 4.4; 61% and 39% of the current employee respondents are male and female respectively. In the case of ex-employees respondents, 75% and 25% are male and female respectively. This implies that the majority of the employees are males. The above table also shows that, 32% and 35% of current and ex-employees respondents respectively are

married, and the rest, that is 68% and 65% of current and ex-employees respectively are single.

As indicated in table 4.4; 79% and 75% of current employees and ex-employees respondents respectively were qualified at first degree level; 15% and 14% of current employee and ex-employee respondents respectively are qualified at second degree level. This indicates that almost all of the respondents are graduates of colleges and universities.

With regard to experience in the above table, that summarizes tenure of the respondents in the organization, 12%, 51%, 16%, 13% and 8% of the current employee respondents served the organization for less than 3 years; 3-5 years, 5-10 years, 10-20 year and above 20 years respectively. 74%, 17% and 9% of the ex-employee respondents served the organization for less than 3 years, 3 - 5 years and 5 - 10 years respectively. As it can be seen, the majority of the respondents 63% and 91% of current and ex-employees respectively have served the organization for less than five years.

Increased tenure strengthens the propensity for employees to remain. Tenure is consistently and negatively related to turnover. From the table, it can be observed that, the majority of current and ex-employees respondents served less number of years in the company which lead to increased labor turnover.

**Table 4.5 Employees Satisfaction in their job**

Item	Measurement	Current Employees		Ex-employees	
		No	%	No	%
Are you satisfied with the sense of achievement you get from your work?	Yes	61	34%	13	20%
	No	118	66%	52	80%
If your answer is NO, why is it?	Job is Monotonous	82	70%	35	67%
	Job is Mechanistic	19	16%	17	33%
	I feel that what I contribute is less	9	8%		
	I feel that I am not contributing to the company's Objective	8	6%		
Did you receive orientation as to your job, objective and mission, etc at the time of recruitment	Yes	171	96%	65	100%
	No	8	4%		
Do you think that orientation is necessary?	Yes	163	91%	63	97%
	No	16	9%	2	3%
Are you satisfied with the amount of pay you get?	Yes	37	21%	10	15%
	No	142	79%	55	85%

As shown in table 4.5: 34% of the current employee respondents replied that they get a sense of achievement from their work. Of those who replied (66 %) that they do not get a sense of achievement from their job, When asked why it is so, 70% said the job is monotonous; 16% said job is mechanistic; 8% said they feel that what they are contributing is less and 6% replied that they feel they are not contributing to the organizations objectives. Similarly, 80% of the ex-employees respondents replied that they also did not get a sense of achievement from their job. Of those ex-employee respondents who said they did not get a sense of achievement from their job, when replying why it is so, 67 and 33 % said that the job is monotonous and mechanistic respectively. This indicates that they are dissatisfied with the kind of job they are doing. Job dissatisfaction is one of the causes of turnover in the Company. Dissatisfied employees stay with the Company until they get other job offer.

According to table 4.5, 96 and 100 % of current employees and ex-employee respondents respectively said that they get orientation during recruitment. 91 and 97 % of current employees and ex-employees respondents respectively replied that orientation is necessary after placement. The orientation would have given employees realistic view of the organization, its objectives, mission etc and hence employees would know beforehand what they are going to find out.

In relation to table 4.5, 79% and 85% of current employees and ex-employee respondent respectively were dissatisfied with the amount of pay they get. In response to a similar question by the personnel manager, whether the organization payment system is poor or not, said that though the company is working on it to revise the salary scale to make it competitive, the salary scale is relatively in par when compared to other Insurance Company but not as good as the private institution which most of the ex-employees have joined. There is evidence to support that there is negative relationship between wage or salary level and turnover. The data indicate that majority of the respondents are dissatisfied with the wage they are getting which is resulting in turnover in the Company.

### 4.3.2 Analysis of Questionnaire and Exit Interview of Nib Insurance Company

Nib insurance S.C Human resource department make exit interview to understand the factors that make the employee to leave the company (push factor), the pull factors that the external environment have lead the employee to leave the organization and outside factors such as health, family and the like which lead the employee to leave company.

On the bases of the above point the researcher try to collect data from the exit interview questionnaire and analyses on this paper to understand what are the basic factors that lead Nib Insurance employee to leave the company, or the basic factors that affect employee turnover in the organization.

#### 4.3.2.1 Patterns of Labor Turnover

With regard to the category of workers subjected to resignation, 32 respondents accounting to 49% of the resigned employees are at subordinate level; 24 (37%) of them are at middle level and the rest 9 (14%) are at managerial level.

*Table 4.6 Pattern of Employee Turnover*

No.	Level	Respondents	
		Number	Percent
1	Subordinate	32	49
2	Middle	24	37
3	Managerial	9	14
<b>Total</b>		<b>65</b>	<b>100</b>

This implies is most of the resigned employees are located in the hierarchy of middle level and subordinate level. This data shows that the unsatisfied employees of the organization are located in the bottom hierarchy of the organization.

#### 4.3.2.2 Type of turnover

Employees may leave the organization because of different reason. Turnover could be voluntary or in voluntary. Dismissal, death and compulsory retirements are forms of involuntary resignation and resignation is a type of voluntary retirement. Almost all (92%) resigned employees leave their organization through resignation or voluntary turnover.

**Table 4.7 Types of turn over**

No.	Level	Respondents	
		Number	Percent
1	Dismissals	0	0
2	Compulsory retirements	5	8%
3	Resignations	60	92%
4	Death	0	0%
<b>Total</b>		<b>65</b>	<b>100</b>

Employees may leave the organization because of different reason. Turnover could be voluntary or in voluntary. Dismissal, death and compulsory retirements are forms of involuntary resignation and resignation is a type of voluntary retirement. Almost all (92%) resigned employees leave their organization through resignation or voluntary turnover.

#### **4.3.2.3 Factors that affect employee turn over**

##### **A. Push factor**

According to the exit interview questionnaire employees explained their level of satisfaction on different items which were appear during their stay in the company. The table below shows that the number of resigned employees and their level of satisfaction.

**Table 4.8 Push Factors of Resigned Employee**

No.	Item	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
1	Nature of the job	29	21		8	7
2	Utilization of skill and experience	21	23	2	10	9
3	Performance management system	4	7	6	20	28
4	Staff training and development	18	24	5	23	
5	Opportunity for advancement	3	9	3	29	24
6	Salary structure	2	6	0	30	27
7	Benefit package of the bank	7	11	4	28	19
8	Leadership	18	17	2	21	9
9	Workload	13	15	0	13	24

According to the above table 4.8 (45%) of the respondents were very satisfied with the nature of job they were doing, 21 (32%) of them are satisfied. Therefore above 70% of the respondents are satisfied with the job they were doing. This implies that dissatisfaction related with the nature of job is not the push factor to the turnover of the employee in Nib Insurance Company.

Improper utilization of skill and experience could be another basic push factors which lead the employees to leave their organization. According to the exit interview 21 (32%) of the respondents states that they were very satisfied on the company utilization of skill and experience, 25 (38%) of them are satisfied and the rest 10 (15%) are satisfied with the utilization of skill and experience. This implies that there is almost no improper utilization of skill and experience in the company.

Performance management focuses on the performance of an organization, a department, employee, or even the processes to build a product of service, as well as many other areas. In accordance with the performance management 7 (11%) the resigned employees of the insurance are satisfied 26 (40%) of them are dissatisfied and the rest 28 (43%) of them are very dissatisfied. From this one can understand that the company has a problem of performance management. Employees do not get recognition or award according to their performance because of the unavailability of measurement of performance or other related factors.

From the above point, 83% of the respondents are not happy with the performance management of the organization. This implies that performance management of the organization is one of the push factors which lead the employee to leave their organization.

Training and development is also another basic factor which affect the satisfaction of the employees during their stay in the organization. 18 (28%), 14 (17%), and 38 (35%) are states that they are satisfied, dissatisfied and very dissatisfied with the company training and development activity for the staffs respectively. From this above 50% of the respondents are satisfied with the training and development activity which are undertaken in the company. This also implies that inadequate training and development activity is one of the push factors in Nib Insurance Company.

On the other hand opportunity for advancement is another concept or factors that affect employee turnover. According to the respondents 9 (43%), 29 (43%), and the rest 24 (14%) of them are satisfied and dissatisfied and very dissatisfied on the opportunity of advancement



respectively. Therefore the data implies that the unavailability of opportunity for advancement is another basic push factor for Nib Insurance Company

According to the interview with HR department officers the salary structure of the bank is revised and some adjustments will be undertaken in the near future. As per the exit interview, 6 (9%), 30 (46%), and 27 (42%) are satisfied, dissatisfied and very dissatisfied respectively on the salary structure of the company. a largest number (88%) of respondent are not satisfied with the salary structure of the company. This implies the salary structure of the company is the basic push factor for turnover.

In addition to the salary structure of the company the benefit package have also a great effect on the employee turnover. 11 (17%) of them are satisfied with the benefit package that the bank provides to its employees. On the other hand 28 (43%), and 19 (29%) of them are dissatisfied and very dissatisfied respectively with the benefit package of the company. Above 70% of the respondents are not satisfied with the benefit package of the company. This implies that benefit package is also another push factor that affect employee turnover of the company.

Leadership style is also affect the turnover of employees. A good leadership styles keeps employees in their organization with a good level of satisfaction. According to the respondents 18 (28%) of them states that they are very satisfied with the leadership style which are available in the company generally and in their department specifically, 17 (26%) are satisfied with the leadership, and the rest 21 (32%) of them are dissatisfied with the leadership stay of the insurance in general and more specifically with their department. The largest number (58%) of resigned employee's states that the leadership style available in the organization is one of the push factors which lead the employees to leave their company.

15 (11%) of the respondents states that there is no work load or they are satisfied with the amount of work load on their responsibility, 24 (23%) of them states that there is high work load or they are dissatisfied with the level of work load, and the rest 13 (69%) states that they are very dissatisfied with the workload. Almost 90% of the respondent complains that there is high work load in their work position. This implies that high work load is also another push factor for employee turnover.

## B. Pull factors

Pull factors are the series of reasons that attract the employees to a new workplace. In this category the employees can attract with better paying job, a career advancement opportunity that they would not receive in the short term when they stayed with their present employer and better benefit package.

*Table 4.9 Pull Factors of Resigned Employee*

No.	Factors	Respondents	
		Number	Percent
1	Better paying job	21	32%
2	Career advancement opportunity	18	28%
3	Better benefit package	8	12%
4	All	18	28%
Total		35	100%

According to the exit interview, 21 (32%) of them states that they resign the company because they get better paying job, 18 (28%) of them states that they leave the company because they got a career advancement opportunity, 8 (12%) states that they leave the company because a got a better benefit package and the rest 18 (28%) them states that they have got an institution which fulfill all three pull factors. This implies that the basic pulling factors that affect employees to leave the organization are searching of better salary; benefit package and searching for career advancement.

### 4.3.3 Analysis of Questionnaires with the Current Employee of the Company

This section of the study describes about the results collects from the questionnaires distributed to current employees of the company.

The table below summarizes what motivates employees to join the organization in the first place. The extent to which employees agree or not that they were motivated to join the company for gain of experience, majority (59%) and significant (30%) claimed it to be "Agree" and "Strongly Agree" respectively.

**Table-4.10 Motivation of Employee to Join the Company**

Item	Measurement	Current Employees	
		No	%
I was motivated to join Nib Insurance Company to gain experience	Strongly agree	53	30%
	Agree	105	59%
	Neutral	9	5%
	Disagree	12	7%
	Strongly disagree	0	0%
I was motivated to join nib Insurance Company because of the salary scale	Strongly agree	0	0%
	Agree	14	8%
	Neutral	25	14%
	Disagree	106	59%
	Strongly disagree	34	19%
I was motivated to join Nib Insurance Company because I did not have any other job	Strongly agree	0	0%
	Agree	32	18%
	Neutral	16	9%
	Disagree	93	52%
	Strongly disagree	38	21%
I was motivated to join nib insurance because I thought it has good training and development opportunity	Strongly agree	21	12%
	Agree	109	61%
	Neutral	0	0%
	Disagree	49	27%
	Strongly disagree	0	0%
what I was motivated to join nib insurance has been realized after joining the company	Yes	141	79%
	No	38	21%

When asked to what extent respondents agree or disagree that they were motivated to join the organization because of the salary scale 59% and 19% of current employee respondent claimed to "Disagree" and "Strongly Disagree" respectively.

Regarding to what extent they agree or disagree that respondents were motivated to join nib insurance because they did not have any other job 52 and 21 % of the current employees claimed to "Disagree" and "Strongly Disagree" respectively. This shows that most of the employees were employee of other organization before joining the company.

When asked to what extent they agree or not that respondents were motivated to join nib insurance because they thought of better opportunity for training and development, 61 % and 12 % of the current employees respondents claimed to "Agree" and "Strongly Agree" respectively.

As indicated in the table 4.10, whether or not what motivated the respondents to join nib insurance has been realized after joining the company, 79% of the current employees responded by saying "NO". The data clearly shows that employees resign from the company because of the difference in what they expected and what the reality is in the company. Thus the effect of realistic job preview on employees' turnover in the company is paramount. The more accurate an employee's expectation before entering a new job, the more likely that employee feel satisfied after he/she learns the situation's realities from actual firsthand experience.

Increased tenure strengthens the propensity for employees to remain. Tenure is consistently and negatively related to turnover. From the table, it can be observed that, the majority of current and ex-employees respondents served less number of years in the Company which lead to increased labor turnover.

**Table 4.11 Questions Related to Work Place**

Item	Measurement	Current Employees	
		No	%
How well do the work skills you personally have match the skills you need to do your job?	Much higher	13	7%
	A bit higher	24	13%
	About the same	35	20%
	A bit lower	67	37%
	Much lower	12	7%
	Not in congruence with the job	28	16%
Has Nib insurance had ever provided you with any training?	Yes	128	72%
	No	52	28%
Changes to the way the organization is run	Very good	0	0%
	Good	12	8%
	Neutral	21	12%
	Poor	112	63%
	Very poor	30	17%
Communicating existing staffs when staff Changing is happen	Very good	0%	0%
	Good	16	9%
	Neutral	10	6%
	Poor	103	58%
	Very poor	48	27%
Employees discussion on Financial matters including budgets with managers	Very good	10	6%
	Good	21	12%
	Neutral	19	11%
	Poor	75	42%
	Very poor	51	29%

As indicated in table 4.12, As per the respondent for the question How well do the work skills you personally have match the skills you need to do your job?, 20%, 37%, 7%, and 16% of them states that it is a about the same, a bit lower and much lower and not in congruence with the job respectively. Since some of the employees' skill is not much with the work they done, the need of training is inevitable. The table above shows that 72 % of the respondents, received training provided by the company and the rest 28% states that they do not get training provided by the company. This data is also supported by the interview made with the personnel manager indicates that training and development is a priority in the company. Employees are encouraged to develop their skills by short as well as long term training.

Turnover would be a relatively unattractive option if employees are trained with firm-specific skills, which are much more valuable to their present employer than to prospective employers.

In relation to the question with, to what extent respondents would say that managers at nib insurance are good in informing about change to the way the organization is run, the majority 81 % of respondents responded that they do not know. In relation to the extent of changes in staffing employees being informing 85 % of respondents claimed "Do not know". With regard to the extent that managers at company are good at informing financial matters including budgets, the majority 71 % of respondents also said that they do not know.

Organization change influence employees' decision to quit. If the change is not communicated effectively, the change may result in increased turnover when organizations begin implementing the change. From the table it is observed that, when there is change in the organization, the majority of the respondents did not know. This shows that there is lack of communication between employees and management and as a result, it is contributing to the increased turnover rate of the company.

**Table 4.12 Questions Related with Employees Working Condition**

Item	Measurement	Current Employees	
		No	%
I share many of the values of Nib Insurance Company	Strongly agree	14	8%
	Agree	21	12%
	Neither agree nor disagree	0	0%
	Disagree	98	55%
	Strongly disagree	28	16%
	Do not know	18	9%
I feel loyal to the company	Strongly agree	0	
	Agree	16	9%
	Neither agree nor disagree	11	6%
	Disagree	75	42%
	Strongly disagree	62	35%
	Do not know	15	8%
I am proud to tell where I am working	Strongly agree	0	0%
	Agree	21	12%
	Neither agree nor disagree	104	58%
	Disagree	20	11%
	Strongly disagree	16	9%
	Do not know	18	10%
I feel I belong to a Team	Strongly agree	21	11%
	Agree	32	18%
	Neither agree nor disagree	0	0%
	Disagree	110	62%
	Strongly disagree	16	9%
	Do not know	0	0%

As indicated in table 4.12, those respondents who claimed to “Disagree” and “Strongly Disagree” to sharing the values of nib insurance are 55 and 16 % respectively. In total 71% of the respondents i.e. 61.2 % Disagree and 11.6 % Strongly Disagree. They do not share many of the values of the organization showing that there is person-organization culture mismatch with most employees which adds to the reasons in the company’s employee turnover.

Regarding to what extent that respondents agree or disagree to feeling loyal to Nib insurance, 42 and 35 % of the current employee respondents claimed to "Disagree" and "Strongly Disagree" respectively. In total, most of the employees, 77 (42.1 %-Disagree and 35.5 %-Strongly Disagree) employees do not feel committed to the organization indicative of turnover to occur. The management of the company has failed to impart the feeling of commitment in its employees as a result the company has an increased turnover rate.

When asked to what extent respondents agree or not of being proud of telling where they worked for, the largest number of customers (58%) neither agree nor disagree, this implies that the employees of the companies are neither proud nor ashamed of the company where they work or nib Insurance Company. And the second largest groups of the respondents' states that they are disagree and strongly disagreed about the issue. The person-organization mismatch, lack of identification with and involvement in the organization is observed here which increases the turnover rate of the company.

Regarding to what extent respondents agree or disagree of having a feeling of belonging to a team, 62 and 9 % of the current employee respondents claimed to " Disagree" and "Strongly Disagree" respectively. In summary, most of the employees, 71 (62 %-Disagree and 9 %-Strongly Disagree) respondents do not feel that they are part of a team. Lack of belongingness by the company's employees is evidenced which is contributing to the turnover of the company.

**Table 4.13 Relationship of Employee with Management**

Item	Measurement	Current Employees	
		No	%
managements deal with employees honestly	Strongly agree	0	0%
	Agree	41	23%
	Neither agree nor disagree	14	8%
	Disagree	110	61%
	Strongly disagree	14	8%
	Do not know	0	
managements Encourage people to develop their skills	Strongly agree	0	0%
	Agree	37	21%
	Neither agree nor disagree	0	0%
	Disagree	104	58%
	Strongly disagree	32	18%
	Do not know	6	3%
managements Treat employees fairly	Strongly agree	16.11	9%
	Agree	21.48	12%
	Neither agree nor disagree	37.59	21%
	Disagree	87.71	49%
	Strongly disagree	16.11	9%
	Do not know	0	0%
In general, there are good relations between managers and employees at the company?	Very good	7	4%
	Good	30	17%
	Neither good nor poor	24	13%
	Poor	112	63%
	Very poor	6	3%

In relation to the questions asked to the respondent, to what extent that respondents agree or disagree on managers of Nib Insurance Company dealing with employees honestly, 69 (61 %-Disagree and 8 %-Strongly Disagree). With respect to what extent respondents agree or disagree on managers of nib Insurance Company encourage employees to develop their skills 76% (58 %-Disagree and 18 %-Strongly Disagree) of the respondents claimed to disagree. On the issue of managers of the company treating employees fairly, the largest numbers of respondents (58%) claims that managers do not employees on a fair ground bases. 49% of them are disagree and 9% of the respondents strongly disagree the issue which states that the management of the company treat employees fairly.

As indicated in table 4.13, on the relationship between managers and employees in Nib Insurance Company 4, 17, 13, 63 and 3 % of the respondents claimed to be "Very Good",



"Good", "Neither Good nor Poor", "Poor" and "Very Poor" respectively. In total, 66 (63 %-Poor and 3%-Very Poor) percent of respondents think that the relationship between managers and employees is poor.

The result from table 4.13, show that, most of the employees feel that there is lack of trust, talent development , objectivity and fairness by their managers in the Company which leads to job dissatisfaction and consequently to turnover.

**Table 4.14 Questions Related with Working Environments of the Company**

Item	Measurement	Current Employees	
		No	%
Management has provided a clear path for Advancement	Strongly agree	14	8%
	Agree	25	14%
	Neither agree nor disagree	-	0%
	Disagree	48	27%
	Strongly disagree	-	0%
	Do not know	91	51%
Management recognize employees for their Contribution	Strongly agree	-	
	Agree	27	15%
	Neither agree nor disagree	4	2%
	Disagree	116	65%
	Strongly disagree	32	18%
	Do not know	-	
Communication system with management is Properly laid down	Strongly agree	-	
	Agree	18	10%
	Neither agree nor disagree	21	12%
	Disagree	79	44%
	Strongly disagree	23	13%
	Do not know	38	21%
Disciplinary procedures are properly laid	Strongly agree	-	
	Agree	-	
	Neither agree nor disagree	-	
	Disagree	30	17%
	Strongly disagree	13	7%
	Do not know	136	76%

In relation to table 4.14, when respondents were asked to what extent they agree or not that management has provided clear path for advancement and career development, 51% of respondents respectively claimed to "Do not know". Of those who know about the career advancement ladder 22% ("Strongly Agree"- 8% and "Agree" -14%) and 27% of respondents Disagree. The interview made with their personnel administration manager indicated that, the organization has set a clearly defined path for employees to advance in the organization

hierarchy. This clearly shows that management did not communicate the organization career advancement path to the employees effectively. Hence the Company has failed to use one of the employee retention mechanisms.

Regarding to what extent management recognizes employees for their contribution, the respondents claimed to "Disagree" and "Strongly Disagree" in a relation of 65 and 12 % respectively. The Personnel Administration Manager responded to the question how the organization recognizes employees' contribution, by saying that employee's contributions are recognized by giving promotion for top performers. This promotion depends mostly on the performance evaluation of the individual employee. Hence, those who are top performers will have high performance evaluation score and subsequently would be entitled to promotion. But, other information given by the Personnel Administration Manager, indicate that performance evaluation has not been carried for the last four years due to the failure of the result oriented performance evaluation method. With regard to what extent respondents agree or disagree on communication system with the management being properly laid down, majority (44 %) and a significant (13 %) the respondents claimed to "Disagree" and "Strongly Disagree" respectively. From the interview made with the Personnel Administration Manager; the communication system between management and employees is top to down. In relation to what extent those respondents agree or disagree on whether disciplinary procedures are properly laid down, 76 % of the respondents claimed "Do not know". The response to this issue by the Personnel Administration Manager was "Yes". In addition, he said that, the disciplinary procedures are printed and distributed to employees during the period of induction.

**Table 4.15 Questions Related Willingness to Stay in the Company**

Item	Measurement	Current Employees	
		No	%
Do you wish to stay In nib insurance?	Yes	55	31%
	No	123	69%
If your answer is NO, which of the following reasons motivate you to leave the company? (Rank them in priority)	Poor Compensation System	51	28%
	Poor leadership and communication system	47	26%
	Poor Training and development opportunity	21	12%
	Job Dissatisfaction	35	20%
	Seek of better job opportunity	11	6%
	Low social and interpersonal relationship	23	13%
	Lack of feeling of belongingness in the company	4	2%

As indicated in table 4.15, 55 % of the respondents do not wish to stay in Nib Insurance Company. When asked what is the reason or what motivates them to leave the company, 28%, 26%, 12%, 20%, 6%, 13% and 2 % of the respondents claimed it to be poor compensation system; poor leadership and communication system; poor training and development opportunity; job dissatisfaction; seek of better job opportunity; low social and interpersonal relation and lack of belongingness in the company respectively. This indicates that there is no single factor alone that is contributing to turnover. It is a combination of factors that are contributing to employee turnover.

#### 4.3.4 Effect of Turnover

Turnover has both negative and positive effects for the company, such as displacements of poor performer, introduction of new knowledge and stimulation for change are some of the basic good effects and decreased performance of a company, high cost of replacement, unfulfilled daily functions and high cost of training and developments are the basic negative effects of turn over for the company.

##### 4.3.3.1 Positive effect of turnover

Under the major thematic area of the research paper, the researcher tried to consider the view of respondents as to how the effects of turnover go. To such level from the total of 179 respondents 64 respondents weight 36% agreed that turnover reduced the number of poor performers in the organization, 48(27%) responded that turnover allows induction of new knowledge, 24(13%) of states that stimulation of change is the positive consequence of turnover and the rest 24% states that introduction of knowledge, displacement of poor performer and stimulation of change is the positive consequence of turnover.

**Table 4.16 Positive Effect of turnover**

No.	Item	Respondents	
		Number	Percent
1	Displacement of poor performers	64	36%
2	Introduction of new knowledge	48	27%
3	Stimulation of change	24	13%
4	ALL	43	24%
Total		45	179

Above 87% of the respondents approves that displacement of poor performer and induction of knowledge are the basic positive effects of employee turnover. The interview made with human resource manager is also support such result. According to them, even though the negative affect of turn over take a higher share it has positive effects such as displacement of poor performer and induction of new knowledge.

#### 4.3.3.2 Negative effect of turn over

In the table below one can see that out of 179 respondents 30 (17%) have claimed that turnover at individual level has cost of levying unfulfilled daily functions. 21(12%) of individuals regarded turnover has a negative effect on their organization through increased cost of training and development.

Out of total number of respondents 14% of them states that the negative effect of turnover in the organization are decreased performance, 18% of the respondent states that the negative consequence of turnover is high cost of replacement, and the rest 39% of them states that the negative effect of turnover is decreased performance, high cost of replacement, unfulfilled daily function, and high cost of training and development for the new employee.

**Table 4.17 Negative Effect of Turnover**

No.	Item	Respondents	
		Number	Percent
1	Decreased performance	25	14%
2	high cost of replacement	32	18%
3	unfulfilled daily functions	30	17%
4	high cost of training and development	21	12%
5	ALL	71	39%
Total		45	179

Therefore according to the respondents there are no single points which turn over highly negatively affect the company all points such as decreasing performance, high cost of replacement, training and development of new employees and unfulfilled daily functions are the negative effects of turnover. The interview results also depicts that decreased performance, increasing work load to the existing employees and high cost of replacement are the basic negative effects of turn over for the company.

### 4.3.3.3 Solution to Avert the Rate of Turnover

The researcher tried to investigate the solution and recommendations posed by the respondents in relation to averting the challenges of turnover in the organization. Hence from a total number of 179 respondents 31% mentioned increment of salary as best strategy for employee retention mechanism. Only 16 respondents accounting to 9% responded that improving leadership style as means of challenging turnover. 47(26%) respondents state that decreasing the work load is a good solution to minimize the rate of turnover. 32 respondents which accounts 18% states that providing training and development for the employee of the organization has to consider as a solution to minimize the level of turnover and The rest 29(16%) of the respondents states that all the above factors could be a solution to minimize the rate of turnover. This shows that nib Insurance Company by far has lots of assignments to consider as to how to decrease the level of turnover through training, increasing salary and reducing the workload on some of the departments.

**Table 4.18 Solution to Avert Rate of Turnover**

No.	Item	Respondents	
		Number	Percent
1	Increase salary	55	31%
2	Change leader ship style	16	9%
3	Reduce the workload	47	26%
4	Provide training and development	32	18%
5	All	29	16%
Total		179	100%

## **CHAPTER FIVE**

### **4.1 SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **4.1 Summary**

Based on the analysis and interpretation made in the previous chapter the major findings are summarized as follows.

Most of the current employee and ex-employee respondents are found to be male, single and had been in the organization for less than two years.

The company conducts formal selection and recruitment procedure as well as gives orientation to the new employees and majority of current and ex-employee respondents strongly believe that orientation is necessary.

The majority of the respondents' expectations to join the Company have not been met after they were employed.

Though the management of the Nib Insurance Company believes in training, most of the employees did not receive any training in relation to their job.

The majority of the respondents states that the basic positive effect of turnover are displacement of poor performer and induction of new knowledge and on the other hand decreasing performance, high cost of replacement, training and development of new employees and unfulfilled daily functions and work load on the existing employees are the basic negative effects of employee turnover.

The basic solution to minimize employee turnover in the company which is recommended by respondents are increasing salary scale, and reduce work load of employees in some departments.

## 4.2 Conclusion

Based on the main findings above, the following conclusions are drawn.

Apart from its cost implications labor turnover can be disastrous if not well controlled. It has consequences of cost recruiting new and replacement employees. An angry departing employee can tarnish his/her employers reputation plus attract other employees out of the organization. The additional turnover caused by departing workers can result in difficulty in finding better employees from the market.

If turnover is controlled can be advantageous as it clears inefficient and under performing employees and brings new blood . these in turn come up with fresh ideas and innovations to the company. In this case labor turnover can be a driver to a renewal of an organization in terms of its employees.

In other words the positive effect of controlled turnover are displacement of poor performer and induction of new knowledge on one hand and on the other hand if turnover is out of control it has negative effects such as decreasing performance, high cost of replacement, high cost of training and development of new employees and lower productivity due to work load on the remaining employees.

### **4.3 Recommendation**

On the basis of the findings derived and conclusions drawn with regard to the employee turnover in Nib Insurance Company, the following recommendations are made:

Nib Insurance company has to put in place competitive compensation packages signaling strong commitment on the part of the company, and can therefore build a strong reciprocal commitment on the part of workers. The company must ensure that there is no pay discrepancy, payments shall base on education level, experience and job output or productivity.

The Company should attach reward systems and performance so that top performers can be rewarded better than others. This in turn motivates good performers and retains them.

Proper training and development shall be in place to increase the retention rate through well-developed training programs.

The Company should work on realistic job previews to potential employees. These previews provide potential new hires with more than just a cursory glance at a company's operations, providing the candidate with enough information to make a decision about whether it is the right workplace for her or him.

The Company should design the jobs so that it allows employees greater autonomy on the job, presenting more interesting challenges, or increasing the diversity of tasks.

Appropriate Performance appraisal system shall be in place for a number of HR decisions related to compensation, training, promotion, and even termination.

.Nib insurance company shall offer challenging jobs and hopes for future prospects or workers to increase their loyalty and commitment to the company.

Workers shall be offered equal opportunities to compete and promote.

Nib Insurance Company should attach interest in providing good supervision, fair and equal treatment, reduced stress, avoiding unpleasant physical and interpersonal working environment to reduce turnover.



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# ANNEX I:

## QUESTIONNAIRE

### ST. MARRY UNIVERSITY

#### MASTERS OF BUSINESS ADMINISTRATION

##### Questionnaire to be filled by Employees of Nib Insurance Company

You are being invited to participate in a research study about employee turnover on Nib Insurance Company. The objective of this research paper is to attempt to understand the causes of employee turnover in the company.

There are no costs for participating in the study. In order for the survey to give a true picture your genuine response will have a great effect. So feel free and respond to the questions in the way you really feel.

#### BACKGROUND INFORMATION

##### Section I: Demographic profile of respondents

Please indicate the following by ticking (✓) on the spaces in front of the response options:

- |   |                 |               |                          |           |                          |              |                          |                        |                          |
|---|-----------------|---------------|--------------------------|-----------|--------------------------|--------------|--------------------------|------------------------|--------------------------|
| 1 | Gender          | Male          | <input type="checkbox"/> | Female    | <input type="checkbox"/> |              |                          |                        |                          |
| 2 | Age             | 20 - 30       | <input type="checkbox"/> | 31 -40    | <input type="checkbox"/> | 41 -50       | <input type="checkbox"/> | 51-60                  | <input type="checkbox"/> |
| 3 | Education Level | 12 Complete   | <input type="checkbox"/> | Diploma   | <input type="checkbox"/> | First Degree | <input type="checkbox"/> | 2 <sup>nd</sup> Degree | <input type="checkbox"/> |
| 4 | Marital Status  | Single        | <input type="checkbox"/> | Married   | <input type="checkbox"/> | Separated    | <input type="checkbox"/> | Widow                  | <input type="checkbox"/> |
| 5 | Work Experience | Below 3 years | <input type="checkbox"/> | 3-5 years | <input type="checkbox"/> | 5-10 years   | <input type="checkbox"/> | Above 10 years         | <input type="checkbox"/> |

##### ABOUT YOUR JOB

- 6 Are you satisfied with the sense of achievement you get from your work? Yes  No

7 If your Answer is no, why is it?

- Job is monotonous
- Mechanistic
- I feel that what I contribute is less
- I feel that I am not contributing to Nib Insurance Company's Objective

- 8 Did you receive information about your job, objective, vision and mission etc during recruitment? Yes  No

- 9 Do you think that orientation is necessary after placement for newly employed? Yes  No

- 10 Are you satisfied with the amount of Money you get? Yes  No

11 To what extent do you agree or disagree with the following statements about joining Nib Insurance Company?

To what extent do you agree or disagree with the following statements about joining Nib Insurance Company		SA	A	N	D	SD
		1	2	3	4	5
1	I was motivated to join to gain work experience					
2	I was motivated to join Nib insurance because of the salary scale					
3	I was motivated to join nib insurance because I did not have any other job					
4	I was motivated to join Nib insurance because I thought the company has good opportunity for training and development					

**Note** SA; strongly agree, A agree N neither agree nor disagree, D Disagree SD Strongly Disagree

1. After joining Nib Insurance Company, were your expectations met?

Yes  No

**ABOUT YOUR WORK PLACE**

2. How well do the work skills you personally have match the skills you need to do your job?

- Much higher
- A bit higher
- About the same
- A bit lower
- Much Lower
- No in congruence with the job

3. Has Nib Insurance Company had ever provided you with any training?

In general, how good would you say managers at Nib Insurance Company are at keeping employees informed about the following?		S	A	N	D	SD
		A	1	2	3	4
4.	Changes to the way the organization is run					
5.	Changes in staffing					
6.	Financial matters including budgets					
	Overall, how good would you say managers at Nib Insurance Company are at					
7.	Seeking the views of employees/employee Representative					
8.	Responding to suggestions from employees Employee representatives					
9.	Allowing employees/employees representatives To influence final decision					

Legend: SA= Strongly Agree, A=Agree N=neither Agree nor Disagree, D= Disagree SD= Strongly Disagree

10. Overall, how satisfied are you with the amount of involvement you have in decision making in Nib Insurance Company?

- Very Satisfied
- Satisfied
- Neither satisfied nor Dissatisfied
- Dissatisfied
- Very Dissatisfied

**Your view on working in Nib Insurance Company**

To what extent do you agree or disagree with the following statements about working in Nib Insurance?		SA	A	N	D	SD
		1	2	3	4	5
11.	I share many of the values of Nib Insurance Company					
12.	I feel loyal to the company					
13.	I am proud to tell who I worked for					
14.	I feel I belong to a Team					
Now thinking about the managers at Nib insurance, to what extent do you agree or disagree with the following						
15.	Deal with employees honestly					
16.	Encourage people to develop their skills					
17.	Treat employees fairly					
To what extent do you agree or disagree with the following statements about working in Nib Insurance Company?						
18.	Management has provided a clear path for Advancement					
19.	Management recognize employees for their Contribution					
20.	Communication system with management is Properly laid down					
21.	Disciplinary procedures are properly laid					
22.	Dispute/grievance handling mechanisms are Good					

Note SA; strongly agree, A agree N neither agree nor disagree, D Disagree SD Strongly Disagree

23. In general, how would you describe relations between managers and employees at Nib Insurance Company?

- Very good
- Good
- Neither Good nor Poor
- Poor
- Very Poor



24. Do you wish to stay In Nib Insurance Company?

Yes

No

25. If your answer is NO, which of the following reasons motivate you to leave the company?

Poor Compensation System

Poor leadership and communication system

Poor Training and development opportunity

Job Dissatisfaction

Seek of better job opportunity

Low social and interpersonal relationship

Lack of feeling of belongingness in Nib Insurance Company

#### **Patterns of turn over**

26. . Which category of workers by grade have contributed to the highest labor turnover

Senior Managers

Middle level mangers

Subordinates

27. What forms of employee turnover has Nib Insurance Company been experiencing?

Redundancy

Dismissals

Compulsory retirements

Resignations

Death

All of the above

None of the above

28. In your view what should be done to reduce the labor turnover patterns that are being Experienced?

Increase Salaries of all workers

Change the leadership styles in use to worker friendly styles

Reduce the work load by employing more workers

Provide training and development opportunities

Others -----

29. What are positive effects when workers leave an organization?

- Displacement of poor performers
- Infusion of new knowledge in the organization
- Simulation of changes in policies and practices

If other .....

30. What are negative effects when workers leave an organization?

- Decreased Performance
- High cost of replacement
- Unfulfilled Daily Functions
- High cost to training and development of the new worker

If other .....

### Exit interview

It is the Nib Insurance share company practice to conduct an exit interview with employees up on separation. We would appreciate your opinions about your employment with the Nib Insurance share company. Objective feedback can help us to improve working condition and make this company a better place to work. Please complete this questionnaire and return it to the human resource management. Thank you for your valued opinion.

Employee name \_\_\_\_\_

Date of employment with the Nib Insurance share company \_\_\_\_\_ separation date \_\_\_\_\_

Duty station- department/branch \_\_\_\_\_

**Please indicate the following by ticking (√) on the spaces in front of the response options:**

- |   |                 |             |                          |         |                          |              |                          |                        |                          |
|---|-----------------|-------------|--------------------------|---------|--------------------------|--------------|--------------------------|------------------------|--------------------------|
| 1 | Gender          | Male        | <input type="checkbox"/> | Female  | <input type="checkbox"/> |              |                          |                        |                          |
| 2 | Age             | 20 - 30     | <input type="checkbox"/> | 31 -40  | <input type="checkbox"/> | 41 -50       | <input type="checkbox"/> | 51-60                  | <input type="checkbox"/> |
| 3 | Education Level | 12 Complete | <input type="checkbox"/> | Diploma | <input type="checkbox"/> | First Degree | <input type="checkbox"/> | 2 <sup>nd</sup> Degree | <input type="checkbox"/> |
| 4 | Marital Status  | Single      | <input type="checkbox"/> | Married | <input type="checkbox"/> | Separated    | <input type="checkbox"/> | Widow                  | <input type="checkbox"/> |
|   |                 |             |                          |         |                          |              |                          | PhD                    | <input type="checkbox"/> |

Tick which best describe your feelings about the following aspect of your employment experience with the Nib Insurance share company

No.	Item	Very satisfied	Satisfied	Neutral	Dissatisfied	Very satisfied
1	Nature of the job					
2	Utilization of skill and experience					
3	Performance management system					
4	Staff training and development					
5	Opportunity for advancement					
6	Salary structure					
7	Benefit package of the bank					
8	Leadership					
9	Workload					
10	Banks value					
11	Over all as an organization to work with					

1. Briefly state main reasons for you to leave this company \_\_\_\_\_

2. If you are leaving to accept other employment, please write new employer's name, title of new position, your starting salary, and any benefit that you will be receiving while with company

\_\_\_\_\_

\_\_\_\_\_

3. Would you recommend company as a place to work? Yes \_\_\_\_\_ No \_\_\_\_\_