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Work Environment and Employee Turnover in the Insurance Industry in Kenya

Teresia Wanjiku Gichungu, Prof. Elegwa Mukulu (PhD) and Dr. Alice Simiyu (PhD)



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^{1*}Teresia Wanjiku Gichungu

Ph.D. Candidate, School of Business and Entrepreneurship, Jomo Kenyatta University of Agriculture and Technology, Kenya



²Prof. Elegwa Mukulu (PhD)

Professor, School of Business and Entrepreneurship, Jomo Kenyatta University of Agriculture and Technology, Kenya



³Dr. Alice Simiyu (PhD)

Lecturer, School of Business and Entrepreneurship, Jomo Kenyatta University of Agriculture and Technology, Kenya

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Abstract

Purpose: The purpose of this study was to determine the influence of work environment on employee turnover in the insurance industry in Kenya.

Methodology: Descriptive explanatory research design was applied by the study. The study target population was 404 senior staff working in the 48 insurance companies in Kenya. Based on Krejcie and Morgan sample size determination formula the sample size for this study was 197 respondents. The 197 managers were chosen with the help of stratified random sampling technique. Primary and secondary data was collected where questionnaires were used to collect primary data. The study used SPSS version 25 software to analyse the data. Both descriptive and inferential analyses were carried out. Results from analysed data were presented in tables.

Results: The inferential statistics results revealed a negative significant relationship between work environment on employee turnover in the insurance industry in Kenya at $p < 0.05$. Work environment on employee turnover in the insurance industry had a Pearson's correlation of ($r = -.769$, $p < 0.05$). Since the p -value (0.023) was less than the selected level of significance (0.05), the relationship was considered significant. This therefore suggests that work environment affects employee turnover in the insurance industry in Kenya. The R-squared for the relationship between work environment and employee turnover in the insurance industry in Kenya was 0.404; this is an indication that at 95% confidence interval, 40.4% variation in employee turnover in the insurance industry in Kenya can be attributed to changes in work environment. However, the remaining 59.6% variation in employee turnover in the insurance industry in Kenya suggests that there are other factors other than work environment that explain employee turnover in the insurance industry in Kenya.

Unique Contribution to Theory, Practice and Policy:

Theory Z used in this study may be used to anchor future studies on describing how providing a job for life with a strong focus on the well-being of the employee, both on and off the job increases employee loyalty to the company. The study recommends that the management of insurance companies should always build a conducive work environment through emphasis on goals. Create a harmonious non-physical work environment and pay attention to the physical work environment of employees at work. According to the study, policy makers should formulate policies that will ensure that insurance companies build a work environment that attracts, retain and motivate its employees so that to help them work comfortable and increase organization productivity.

Keywords: Organizational Determinants, Employee Turnover, Work Environment, Insurance Industry

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INTRODUCTION

Employee turnover is an important issue that poses a significant challenge for organizations. Since human capital is central to an organization's performance, workforce attrition can have a profound impact on an organization's performance, growth and general business outcomes (Jyoti & Venketesh, 2016). The most valuable asset available to an organisation is its people, and therefore, retention of staff in their job is essential for an organisation. Indeed, there is a paradigm shift from human resource to human capital which consists of the knowledge, skills and abilities of the people employed in an organisation which is indicative of their value (Meudell & Rodham, 2018). When employees leave their jobs, it is often a sign that something is going wrong. Allen and Helms (2014), contends that poor job retention among employees lead to many costs associated with employee turnover which include additional burden on remaining staff, recruitment and training costs, lost productivity, loss of clients and loss of intellectual capital.

Mayhew (2017), states that a high percentage of casual or seasonal workers may be the cause of a high employee turnover rate, as many variables like low pay, unpleasant working conditions, or both. On the other hand, a high level of turnover may be associated with a high level of demand for skills where workers are induced to change employers in a wages. Poor job feedback, job dissatisfaction, unmet job expectations, performance problems, situational constraints, socialization difficulties, greater degrees of job stress, and a lack of career advancement opportunities among others as causes of employee turnover (Arnold, 2015). According to Arianto (2018), better pay and prospects, personal reasons, career-related issues, company-related issues, market factor, job-related issues are the main reasons for employees to leave their organization. As Shukla and Dr Sinha (2016) stated, relationship between employees and management or the nature of the management is also another reason for most employees to quit. A poor relationship with the management can be an important reason for the employees to leave their jobs. Employer-employee relationship plays a vital role in turnover.

The insurance sector in Kenya is one of the fast-growing sectors of the economy and has been growing at a rate of between 18% – 25% within the last decade. The industry also contributes to close to 4% of the country's Gross Domestic Product (GDP) (Mwangi, 2016). The industry therefore greatly contributes to high growth and employment opportunities as they are basically human intensive, and human resources act as an undoubted differentiator. According to Insurance and Technology (2018) the global employee turnover rates within the industry is over 26 percent. This turnover rate makes it difficult to sustain efforts to increase sales and can cost the organization money when employees leave before they get the full benefit of the training provided. Quality manpower and employee retention acts as a litmus test to the performance of specific companies within the industry. This could be greatly attributed to organization determinants like management style, work environment, reward management and career development opportunities (Syahrizal, 2018).

Problem Statement

In the insurance industry in Kenya, employee turnover is costly, causing workforce instability, reduced efficiency, lower effectiveness, and negative impact on the bottom line (Mwangi, 2016). However, there seems to be a reluctance to invest resources to retain top talent. Part of this hesitancy comes from a sense that counter-turnover efforts do not make a difference as employees leave anyway (Lyengi, 2014). Ignoring employee turnover however, would not

help. The risk of doing nothing is great. The loss of customers, supplier confidence, investor support, and employee morale can be very expensive. According to Mwilu (2016), the Kenyan insurance industry is currently undergoing a period of rapid change concerning separation of life insurance from general insurance. As a result, the insurance firm are facing extreme challenges in the current competitive environment since the changes and new services have become the base of marketing (Lee & Jimenez, 2011). The performance of the entire categories of products offered by insurance sector in Kenya is beset with some common challenges and bottlenecks. Low penetration and uptake of insurance is one major setback the insurance industry development is encountering in particular market share, diversification of products among other measures (Ng'ethe, 2013). The growth of insurance uptake in year 2019 in Kenya has been at slow pace which was estimated to be at 2.84% as in contrast to 2.63% in 2018, this in comparison with South Africa which registered a growth of 12.9% in the same year and both countries boasts of above 40 million populations. The survey conducted by National financial access in the country (2018) indicated that 6.8% of population in Kenya made a purchase of insurance services with a huge 91% of Kenyans not embracing insurance services both in life and property (Fanou, 2018). Given this concept insurance sector has to devise robust competitive strategies to enable credible market share. The empirical studies of Ncede (2013) and Li (2018) in their findings, concluded that improving work environment influences employee turnover in an organization. The reviewed empirical Studies have generally concentrated on various situations and locations; it is still essential that a study be conducted to close the gaps. In light of this, this study aimed to determine the influence of work environment on employee turnover in the insurance industry in Kenya.

Objective of the Study

To determine the influence of work environment on employee turnover in the insurance industry in Kenya.

Research Hypothesis

H₀: There is no significant influence of work environment on employee turnover in the insurance industry in Kenya.

LITERATURE REVIEW

Theory Z

Theory Z was developed by Ouchi (1981). The theory focused on increasing employee loyalty to the company by providing a job for life with a strong focus on the well-being of the employee, both on and off the job (Gagné & Deci, 2005). According to Ouchi, theory Z management tends to promote stable employment, high productivity, and high employee morale and satisfaction (Wilkins & Ouchi, 1983). Theory Z highlights that workers have a high need to be supported by the company, and highly value a working environment in which such things as family, cultures and traditions, and social institutions are regarded as equally important as the work itself. This theory is appreciated on the ground that managements must have a high degree of confidence in its workers in order for this type of participative management to work (Fanou, 2018). However, the theory Z revolves around the assumption that employees want to enter into partnerships with their employer and colleagues. Employees have a strong desire for connection. This requires a high level of support from the manager and the organisation in the form of a safe working environment and the right facilities (Trevor, 2011). The possibility for development and training can also be included on this list. Another assumption is that employees expect reciprocity and support from their organisation.

Employees find a work-life balance important and want to maintain this. Family, culture and traditions are therefore just as important as working conditions. The theory Z also assumes that employees trust that they can carry out their work properly with the right support from management (Wilkins & Ouchi, 1983).

The theory is relevant in studying employees' turnover in insurance industry in relations to work environment. It enables an examination of employee behaviour patterns and an assessment of the working conditions in Kenya's insurance industry. This enables researchers to determine whether insurance companies help their employees meet their commitments, and if not, whether this is a major factor in the country's high rate of employee turnover (Redmond, 2010). This theory assumes that workers will be participating in the decisions of the company to a great degree. However, in any organization there are some decisions that are very crucial and urgent to the extent that they cannot be made by all workers (Wilkins & Ouchi, 1983). Therefore, this theory was used in this study to assess the influence of work environment on employee turnover in the insurance industry in Kenya.

Conceptual Framework

The purpose of using the conceptual framework was to provide a diagrammatic presentation of a theory and it is presented as a model when research variables and their relationship are translated into a visual picture to demonstrate the interconnectivity between the independent and the dependent variables (Luft & Shields, 2014). It illustrates how dependent and independent variables are related. Work environment was the independent variable while employee turnover in the insurance industry was the dependent variable.

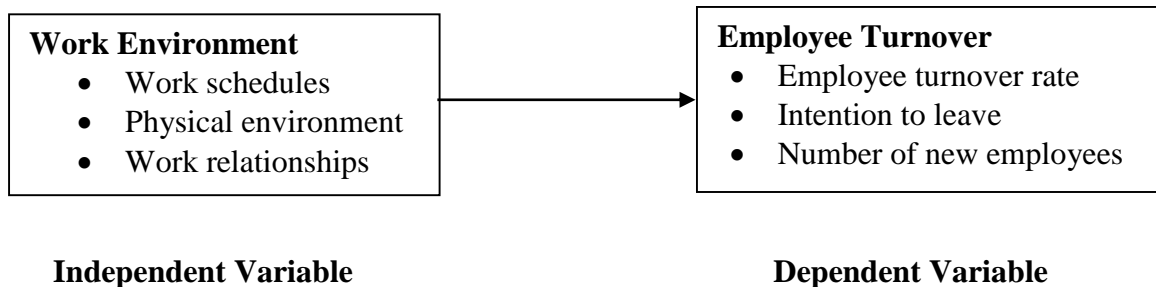


Figure 1: Conceptual Framework

Research Gaps

Work environment and its effect on employee turnover have been the subject of numerous research. In the chosen Kenyan public universities, Mugove (2018), conducted research on the factors that influence staff turnover. The conceptual gap was caused by the study's focus on factors influencing employee turnover. Kurniawaty, Ramly and Ramlawati (2019), investigated the impact of job satisfaction, stress, and the work environment on the intention of employees to leave Mandiri Bank. This study's focus was on bank employee turnover intentions, whereas the present study's focus is on insurance industry employee turnover. Kullab and Kassim (2017), conducted study on the factors that affect the working environment, employee loyalty, and staff turnover in the ICT-SME sector. This has a contextual gap because it concentrated on ICT-SME employee turnover. In Nigerian breweries, Sojeb (2016), looked at how the workplace environment affected workers' intentions to leave. A contextual gap exists because the focus of this study was on Nigerian breweries. Various studies conducted have covered different concepts and were conducted in different organizations, which have

different operating environment compared to the insurance industry. The current study aimed at looking at the work environment and how it influences employee turnover in the insurance industry in Kenya.

METHODOLOGY

This study made use of a descriptive explanatory research design. The target population was 404 senior staff working in the Insurance companies in Kenya. The sampling frame of the study was the list of employees in the insurance companies in Kenya. The study's sample size was reached at using Krejcie and Morgan sample size determination formula (Cooper & Schindler, 2003). Using this formula, a representative sample was obtained. The study's total population was 404 senior managers of 48 Insurance companies in Kenya. Purposive sampling helped in selection of senior manager of insurance companies in Kenya. The 197 managers were chosen with the help of stratified random sampling technique. This sampling technique divides the population into groups or strata. Primary and secondary data was collected by the researcher for the study. A questionnaire which is a form of quantitative data collection tool was used to collect primary data. Secondary data was collected by use of a data extraction tool. Data extraction tool was used to collect information needed from online sources and organization reports. The data collection tool in this study was a checklist. Questionnaires helped to collect data from managers. The structured questions were useful as they enabled easy analysis of data and reduced the time and resources needed for data collection. The unstructured questionnaires helped the researcher get in-depth responses from the respondents as they give a chance to them provide views and suggestions on the various issues.

Quantitative and qualitative data were generated from the closed-ended and open-ended questions, respectively. Qualitative data was analysed on thematic basis and the findings presented in a narrative form. Inferential and descriptive statistics were employed for analysis of quantitative data with the assistance of Statistical Package for Social Sciences (SPSS Version 25). Descriptive statistics such as frequency distribution, mean (measure of dispersion), standard deviation, and percentages were used. Inferential data analysis was conducted by use of univariate regression analysis, Pearson correlation coefficient was done to establish the relationship among variables, and multiple regression analysis. Results from analysed data were presented in tables.

RESULTS AND DISCUSSION

Descriptive Analysis of Work Environment

A total of 169 questionnaires were dully filled and returned which reflected a response rate of 85.8%. The study sought to assess the influence of work environment on employee turnover in the insurance industry in Kenya. Respondents were, therefore, asked to indicate their level of agreement on statements about the influence of work environment on employee turnover in the insurance industry in Kenya. Table 1 presents summary of the findings obtained.

The study sought to measure work environment in terms of work schedules, physical environment and work relationships. Regarding work schedules, respondents agreed that in their organization, employees are provided with flexible working hours to take care of their needs ($M= 3.994$, $SD= 0.367$); that their organization prioritizes employee work schedules to maintain a healthy and productive workforce ($M= 3.961$, $SD= 0.367$); and that in their organization, employees are given time off to focus on their personal life and have a break from their work ($M= 3.856$, $SD= 0.377$). On physical environment they agreed that in their organization, employees are provided with adequate working space to perform their work

efficiently ($M= 3.955$, $SD= 0.385$); that in their organization, the management ensure that the work environment has proper lighting and air quality to help employees undertake their tasks comfortably ($M= 3.994$, $SD= 0.332$); and that their organization, the work environment is safe to protect the employee health and safety ($M= 3.836$, $SD= 0.351$). Respondents also agreed on work relationships that in their organization, employees are encouraged to maintain positive relationships to be more productive ($M= 3.988$, $SD= 0.367$); that in their organization, employees maintain good communication among themselves to perform their tasks effectively ($M= 3.961$, $SD= 0.417$); and that in their organizations, employees are encouraged together as a team to achieve firm goals ($M= 3.830$, $SD= 0.355$).

The study findings, therefore, show that the respondents agreed that work schedules, physical environment, and work relationships affected employees in the insurance industry in Kenya. Also, as shown by an aggregate mean of 3.931 ($SD= 0.369$), it is evident that work environment influenced employee turnover in the insurance industry in Kenya. The work environment, therefore, plays a large role in organisational performance through its ability to keep employees motivated. The study findings agree with Briner (2016) that employees will be more productive and content where their obligations are in tandem with their work environment. Poor work environment forces employee to disengage and leave organisations more than any other factor. Also, Armstrong (2016) asserts that organisations should focus on work life balance employment practices which aim at providing scope for employees to balance what they do at work with the responsibilities and interests they have outside work. This allows reconciliation between competing claims of employer work needs and home needs. The study findings also agree with Chandrasekar (2016) that a balanced work- life is linked to increased job satisfaction and organisational commitment.

Table 1: Descriptive Statistics for Work Environment

Work Environment Indicators	Mean	Std. Dev.
Work schedules	3.961	0.367
Our organization prioritizes employee work schedules to maintain a healthy and productive workforce		
In our organization, employees are given time off to focus on their personal life and have a break from their work	3.856	0.377
In our organization, employees are provided with flexible working hours to take care of their needs	3.994	0.367
Physical environment	3.955	0.385
In our organization, employees are provided with adequate working space to perform their work efficiently		
In our organization, the work environment is safe to protect the employee health and safety	3.836	0.351
In our organization, the management ensure that the work environment has proper lighting and air quality to help employees undertake their tasks comfortably	3.994	0.332
Work relationships	3.830	0.355
In our organizations, employees are encouraged together as a team to achieve firm goals		
In our organization, employees are encouraged to maintain positive relationships to be more productive	3.988	0.367
In our organization, employees maintain good communication among themselves to perform their tasks effectively	3.961	0.417
Aggregate Score	3.931	0.369

Respondents were also asked their views on how work environment influence employee turnover in the insurance industry in Kenya. They explained that an improper and unfavourable workplace environment leads to work stress. It also causes errors being committed by the employees. Also, unfavourable workplace environment, results into under-utilization of the capabilities available with the employees. It also induces work related stress in the employees. This agrees with Shukla and Dr. Sinha (2016), that a comfortable work environment for employees can increase morale and encourage better performance and employees stay afloat. The findings also agree with Nayeri, Nazari, Salsali and Ahmadi (2015), that the working environment is one of the most crucial factors which influence the level of satisfaction as well as motivation of its employees. According to Westerman and Yamamura (2017), social, organizational and physical factors are impetus for task and activity which consequently impact the performance of workers.

Descriptive Analysis of Employee Turnover

Respondents were therefore asked to indicate their level of agreement on the statements about employee turnover. Table 2 presents summary of the findings obtained. The findings show that the respondents agreed that the number of new recruitments has decreased in the organization (M= 3.994, SD= 0.332); that low new recruitments save costs for the organization (M= 3.981, SD= 0.339); and that the number of employees leaving the organization annually has reduced (M= 3.909, SD= 0.335). They further agreed that employees leave the organization voluntarily (M= 3.863, SD= 0.327); that employees leave the organization involuntarily (M= 3.836, SD= 0.299); and that employees leave the organization due to retirement (M= 3.836, SD= 0.351).

The findings are consistent with those of Aman (2015), that employee may leave an organization due to sickness, death, moving abroad or employers-initiated termination. Heneman, Judge and Kammeyer-Muelle (2012), also observed that employee might decide to leave an organization voluntarily because of getting a better job, changing career, or present job is unattractive because of poor working conditions, low pay or benefits, and bad relationship with supervisor. In addition, Campbell, Ganco, Franco and Agarwal (2012), observed that employees leave an organization due to bad relationship in the workplace, being bored or unchallenged in the work itself and poor benefits.

Table 2: Descriptive Statistics on Employee Turnover

Statements	Mean	Std. Dev.
The number of employees leaving the organization annually has reduced	3.909	0.335
Employees leave the organization voluntarily	3.863	0.327
Employees leave the organization involuntarily	3.836	0.299
Employees leave the organization due to retirement	3.836	0.351
The number of new recruitments has decreased in the organization	3.994	0.332
Low new recruitments save costs for the organization	3.981	0.339
Aggregate Score	3.903	0.330

Correlation Analysis

The study computed Correlation analysis to determine the strength and the direction of the relationship between the variables being studied. If the correlation values are $r = \pm 0.1$ to ± 0.29 then the relationship between the two variables is small, if it is $r = \pm 0.3$ to ± 0.49 the relationship is medium, and when $r = \pm 0.5$ and above there is a strong relationship between the two variables under consideration. Table 3 presents the findings obtained. From the findings work environment is seen to have a negative significant relationship with employee turnover in the

insurance industry in Kenya ($r = -.769$, $p < 0.05$). Since the p-value (.023) was less than the selected level of significance (0.05), the relationship was considered significant. This therefore suggests that work environment affects employee turnover in the insurance industry in Kenya. This is in line with Kurniawaty, Ramly and Ramlawati (2019), that work environment had a positive and significant effect on job satisfaction and that work environment had a negative and significant effect on turnover intention. Also, Sojeb (2016), revealed that there is a significant relationship between work environment and employee turnover intention which agrees with present study findings.

Table 3: Correlation Analysis

		Employee Turnover	Work Environment
Employee Turnover	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	169	
	Sig. (2-tailed)	.000	
Work Environment	N	169	
	Pearson Correlation	-.769**	1
	Sig. (2-tailed)	.023	
	N	169	169
	N	169	169

** . Correlation is significant at the 0.05 level (1-tailed).

Regression Analysis Results

The objective of the study was to assess the influence of work environment on employee turnover in the insurance industry in Kenya. The corresponding null hypothesis was that work environment has no significant influence on employee turnover in the insurance industry in Kenya.

A univariate analysis was therefore conducted to test the null hypothesis. From the model summary findings in Table 4, the r-squared for the relationship between work environment and employee turnover in the insurance industry in Kenya was 0.404; this is an indication that at 95% confidence interval, 40.4% variation in employee turnover in the insurance industry in Kenya can be attributed to changes in work environment. Therefore, work environment can be used to explain 40.4% change in employee turnover in the insurance industry in Kenya. However, the remaining 59.6% variation in employee turnover in the insurance industry in Kenya suggests that there are other factors other than work environment that explain employee turnover in the insurance industry in Kenya.

Table 4: Model Summary for the Work Environment on Employee Turnover

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.635 ^a	0.404	0.400	0.14739

a. Predictors: (Constant), Work Environment

The analysis of variance was used to determine whether the regression model is a good fit for the data. From the analysis of variance (ANOVA) findings in Table 5, the study found out that that $\text{Prob} > F_{1,167} = 0.000$ was less than the selected 0.05 level of significance. This suggests that the model as constituted was fit to employee turnover in the insurance industry in Kenya.

Further, the F-calculated, from the table (113.052) was greater than the F-critical, from f-distribution tables (3.898) supporting the findings that work environment can be used to predict employee turnover in the insurance industry in Kenya.

Table 5: ANOVA for Work Environment on Employee Turnover

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.456	1	2.456	113.052	.000 ^b
	Residual	3.628	167	0.022		
	Total	6.084	168			

a. Dependent Variable: Employee Turnover

b. Predictors: (Constant), Work Environment

From the results in Table 5, the following regression model was fitted.

$$Y = 1.792 - 0.497 X_2$$

(X_2 is Work Environment)

The coefficient results showed that the constant had a coefficient of 1.792 suggesting that if work environment was held constant at zero, employee turnover in the insurance industry in Kenya would be at 1.792 units. In addition, results showed that work environment coefficient was -0.497 indicating that a unit improvement in work environment would result in a 0.497 decrease in employee turnover in the insurance industry in Kenya. It was also noted that the P-value for work environment coefficient was 0.000 which is less than the set 0.05 significance level indicating that information flow was significant. Based on these results, the study rejected the null hypothesis and accepted the alternative that work environment has negative significant effect on employee turnover in the insurance industry in Kenya.

The descriptive findings showed that respondents agreed on average (Mean= 3.931) that work environment affected employee turnover in the insurance industry in Kenya. On the other hand, correlation analysis results showed that work environment had a strong negative relationship with employee turnover in the insurance industry in Kenya ($r=-.769$, $p<0.05$). This was also supported by the regression results which showed that work environment had -23.2% influence on employee turnover in the insurance industry in Kenya when combined with other organizational determinants and on its own had a -49.7% influence on employee turnover in the insurance industry in Kenya.

Compared with multiple regression results it was established that work environment had a higher effect on employee turnover in the insurance industry in Kenya unilaterally (coefficient=-0.497) as opposed to when it was combined with other variables (coefficient=-0.232). The results suggest that in the presence of management style, reward management, and career development opportunities the effect of work environment on employee turnover weakens.

The study findings are supported by Theory Z which was developed by Ouchi (1981). The theory explains that workers have a high need to be supported by the company, and highly value a working environment in which such things as family, cultures and traditions, and social institutions are regarded as equally important as the work itself. According to the theory, employees find a work-life balance important and want to maintain this. Family, culture and traditions are therefore just as important as working conditions.

The study findings also agree with Sojeb (2016), who revealed that there is a significant relationship between work environment and employee turnover intention. It also agrees with Armstrong (2016), that organisations should focus on work life balance employment practices which aim at providing scope for employees to balance what they do at work with the responsibilities and interests they have outside work. This allows reconciliation between competing claims of employer work needs and home needs. Also, Chandrasekar, (2016) observed that a balanced work- life is linked to increased job satisfaction and organisational commitment. Employees work life experiences deepen their role-related engagement which is related to organizational performance improvement. Gautam (2019), also observed that high levels of employee productivity are achievable when organisations ensure the physical environment is conducive to organisational needs

Table 6: Beta Coefficients for Work Environment on Employee Turnover

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.792	.188	9.523	.000
	Work Environment	-.479	.046	-.519	-10.462 .000

a. Dependent Variable: Employee Turnover

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study found that work environment is statistically significant in explaining employee turnover in the insurance industry in Kenya. The influence was found to be negative. This means that unit improvement in work environment would lead to a decrease in employee turnover in the insurance industry in Kenya. Based on the findings, the study rejects the null hypothesis and concludes that work environment negatively and significantly relates with employee turnover in the insurance industry in Kenya.

Recommendations

Based on the conclusions of the study, insurance companies should always build a conducive work environment through emphasis on goals. Create a harmonious non-physical work environment and pay attention to the physical work environment of employees at work. Insurance companies should have a good program in place for their employees work life balance as this can be a great factor to motivate and retain them. Management should try as much as possible to build a work environment that attracts, retain and motivate its employees so that to help them work comfortable and increase organization productivity. Employers should make available adjustable and flexible furniture to all workers in order to make them more comfortable. This in the long run keeps the employees healthy.

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