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A comparative review of HRM Practices in Public and Private Life Insurance Companies

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Abstract

Purpose: The objective of this paper is to review the presence and implementation of human resource management (HRM) practices in service industry in particular for Life Insurance companies.

Design / Research Methodology : The present study is descriptive research by means of primary data analysis to identify the responses of employees from both public and private life insurance in the districts of Dakshinna Kannada and Udupi districts of Karnataka towards HRM practices in their respective firms.

Findings: The results of this study indicates the comparative level of satisfaction the respondents both public and private life insurance companies have with regards to various HRM practices.

Managerial Implications: HR policy makers can take into account the outcomes of this research while implementing various HRM practices.

Scope for future work / Limitations: The scope this study is limited life insurance companies and small geographical area hence this leads an opportunity to other researchers evaluate the findings with broader dimensions.

Key words: Human Resource Management, Life Insurance, Recruitment & Selection, Training & Development, Compensation, Performance Appraisal, Employee Participation

1. Introduction

The liberalization of the Indian Insurance sector has brought many changes in various dimensions of doing for both public and private life insurance. Insurance companies are continuously challenged to have better risk management, product innovation, and wider customer choice. The impact of dynamic and fast changing business environment cannot be avoided by insurance company. For the success of any firm, it is necessary to be dynamic and to cope with the changing world and it is equally necessary to change the approach of working with and through people. In this context, it is necessary to understand the basic philosophy of human resource dimension essential for its sustainability.

Human resource has established as the most valuable resource within the national economy especially in the service driven economy like India. The people are the bearer of cultures, experiences, abilities, skills and they are able to generate innovation and creation. With innovative and creative spirit, the people can make the difference between failure and success in any organisation. It has become commonly acknowledged that the essential element in any functional or business organisation is its human resources. That is the reason why human resources in service industry are often considered as their most valuable assets. In this context, developing human resources is an essential complex, continuous and high responsibility process for any organisation, which involves actions and activities to select and train new staff and to retain existing one through effective human resource management (HRM) practices (Popescu & Crenicean, 2011). HRM practices differ from one organisation to another and from one country to another, but the outcome remains the same i.e. HRM practices lead to increase in the productivity and performance of employees as well as of the organisation. In addition to the traditional HRM practices, many organisation have implemented unique HRM practices according to their needs more profusely in India's life insurance sector. This paper contributes to the human resource management literature reviewing the presence and implementation of HRM practices in service industry in particular for Life Insurance companies.

2. Objective

The main aim of this paper is to review the presence and implementation of human resource management (HRM) practices in service industry in particular for Life Insurance companies.

3. Conceptual Background

Human Resource Management (HRM) is a multi dimensional concept. It has been defined differently by economists, social scientists, industrialists, managers and other academicians from different angles. HRM means an organized learning experience within a period of time with an objective of producing the possibility of performance change (Nadler, 1969).

HRM believes that individuals in the organization have potential for growth and development, further their potentials can be developed and multiplied through appropriate and systematic efforts (Jones, 1969). HRM requirements consist of those functions and tasks necessary for the effective management of a company's human resources. The result of effectively managing human resources is an enhanced ability to attract and retain qualified employees who are motivated to perform, and the results of having the right employees motivated to perform enormous. They include higher profitability, low employee turnover, high product quality, and implementation of corporate strategy. These results, particularly if coupled with competitors who do not have the right people motivated to perform, can create a number of competitive advantages through human resource management practices. The major purposes of these activities traditionally have been to attract, retain, and motivate employees. We refer to them as human resource management (HRM) practices (Schuler & MacMillan, 1984), and the key HRM practices include Recruitment and Selection, Training and development, Performance Appraisal, Compensation and Employee Participation.

3.1 Recruitment and Selection

Generation of applications for specific positions for actual or anticipated vacancies is known as Recruitment. Through ideal recruitment procedure suitable applicants could be identified. Selection is the process of ascertaining the qualifications, experience, skill, knowledge etc of an applicant with a view to appraising his/her suitability to a job. Most companies dedicate considerable resources for creating high quality selection systems (Pfeffer, 1995). Recruitment and Selection involves assigning a specific rank and responsibility to an employee and further orienting new employees to the organization by providing information about the tasks to be done on the job, as well as personal characteristics (education, experience, specialized training) necessary to do the tasks (Cascio, 1998). Life

Insurance business in India is continuously challenged by high attrition rate and hence they need to assess and adopt the best practices in recruitment and selection to hire the suitable candidates.

3.2 Training and Development

Training is a learning process that aims to permanently improve the ability and behavior of the employees by enabling them to acquire new skill, knowledge and attitude for more efficient performance while Development is the growth or realization of a person's ability, through conscious or unconscious learning. Development programs usually include phases of planned study and experience, and are usually supported by a coaching or counseling facility. The current challenges caused by the globalisation pressures in the realm of economics, organisations need to review their training and development practices on regular basis. Companies must develop a customer oriented practices among employees to deliver best service quality, which is met through training and development (Kundu, 2000). Training must be viewed as an important function in HRM practices to invest for future success (Zeithmal & Bitner, 2004) since training is an intense activity in the Life Insurance business both for internal employees and agents. Life Insurance companies need to provide comprehensive training to their internal employees in the ways to narrow the gap between clients and agents as the case i.e. trust building training (Law, Wong & Theresa, 2005).

3.3 Performance Appraisal

Performance is defined as the evidence of outcomes of a specified job function or activity or task during a designated time period (Bernardin & Russell, 1993). Feedback of performance is an important control measure. Knowledge of one's strengths help one to become more effective to choose situations in which one's strength is required. Managers in HRM system have the responsibility for observation and feedback to subordinates about their strengths and weaknesses on a continuous basis. Effective managers need to incorporate performance review and feedback as part of their day-to-day communications with employees (Webb, 2004). Appraisals are used widely for linking pay to performance (Schellhardt, 1996; Cleveland, Murphy & Williams, 1989) since life insurance sector is a very target driven and incentives are derived as the measures of their performance levels.

3.4 Compensation

Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich & Newman, 1999). An effective set of choices about compensation systems plays a important role in determining firm success (Dreher & Dougherty, 2005). A pay for performance program is widely used technique in Life Insurance business since it enhances productivity and product quality, reduces absenteeism and turnover (Jyothi & Venkatesh, 2006). Further Life Insurance is target oriented in the context of acquiring new policies and continuity of existing clients through premium payments at regular intervals making it very incentivised business based on performance of employees.

3.5 Employee Participation

Employee participation is a set of management practices that extend decision-making power, business information, technical and social skills, to the lowest levels of the organization (Lawler, 1986). There are various forms and styles of participative management and one of them which is widely applied and practiced is 'Quality Circles'. Every human being is a veritable storehouse of ideas. In normal working, he is generally not called upon to contribute ideas. He is, at best, asked to perform a given set of duties. Given the right kind of environment, he will be inspired to also lend his intellect and creativity to the organization. Especially in a service industry like Life Insurance a continuous participative approach is essential to maintain networked relation in not only routine affairs of business but also value addition to increase business spread which is continuously challenged by competition from other firms.

4. Research Methodology

The present study is descriptive research by means of primary data analysis with a major objective to identify the responses of employees from both public and private life insurance in the districts of Dakshinna Kannada and Udupi districts of Karnataka towards HRM practices in their respective firms. The sample was drawn by convenience sampling technique with a total of 100 respondents of two life insurance companies one being from public sector and other from private sector. Further percentage analysis were used to describe the opinion of the respondents.

5. Results and Discussions:

Human Resource Management (HRM) is the utilization of individuals to achieve organisational objectives. Consequently, managers at every level must concern themselves with HRM. Basically, all managers get things done through the efforts of others, this requires effective HRM. People who are engaged in the management of human resources develop and work through an integrated HRM system which has five functional areas are associated with which includes recruitment and selection, training and development, performance appraisal, compensation and employee participation (Boselie & Paauwe, 2011)

A predetermined questionnaire was developed to review the implementation of HRM practices in public and private sector Life Insurance firms with the results being presented in the discussions below with comparative outlook.

5.1 Recruitment & Selection

Right person for the right job is the key for the success of any organisation through Recruitment and Selection practices, in a particular for people driven business like Life Insurance. Majority of the public sector life insurance respondents (56%) are of the opinion that their firm does not invest much on recruitment and selection of staff while majority of them in the private life insurance (68%) feel that their firm sufficiently invests for the process selecting staffs. A similar opinion is seen with regards to staffing being based on appropriate job analysis which helps to recruit the right individual for the right job since respondents in public (58%) moderately agree on this, while majority of respondents agree on this in private (66%) life insurance companies.

We can conclude from the above findings that Recruitment and Selection practices are prudently adopted and followed in Private sector Life Insurance firm than in Public sector Life Insurance firm.

5.2 Training & Development

Training and Development means giving new or current employees the skills they need to perform their jobs (Dessler, G & Varkkey, B., 2013). Life Insurance is challenged by high attrition rate and changing innovative product review due to which Training and Development has significant role. Most of the employees both in public (76%) and private (64%) life insurance firms are of the opinion that extensive training programs are provided for employees in the firm indicating that firms takes initiatives to develop their employees. Both public (70%) and private (70%) life insurance companies provide a rigorous training calendar for their employees is evident, as respondents positively are in agreement with this fact. Majority of the respondents both in public (90%) and private (88%) insurance firms are of the opinion that training initiatives of the firm reaches everyone from the new joiner to the senior management.

It is very apparent from these findings that Training and Development practices are well practiced both from public and private sector insurance companies.

5.3 Compensation Practices

Employee Compensation is a significant component which refers to all forms of pay going to employees and arising from their employment. Majority of the respondents are convinced of having appropriate reward system in public (72%) sector life insurance company while employees in private insurance firm are moderately (52%) convinced of having a good reward system placed in their firm. Both respondents in public (62%) and private (64%) life insurance companies positively agree that their firms have good incentives practices motivating them to achieve company goals.

Respondents from private sector life insurance firm are less satisfied with the Compensation practices in comparison with the public sector life firm.

5.4 Performance Appraisal and Management

Performance based appraisal is a very relevant and valid exercise to appraise the employees performance and hence we see that both respondents in public (72%) and private (68%) firms are of the opinion that their firms have thorough performance based appraisal system. Both the respondents in public (66%) and private (62%) sector life insurance overwhelmingly agree that their firms uses self rating in performance appraisal proves that the firm understands the relevance of an individual perspective essential in the appraisal process. Most of the respondents both in private (72%) and public (62%) life insurance companies are in agreement that frequent performance discussions with superiors helps to better manage the appraisal process.

Both respondents from public sector and private sector insurance firms have positive opinion with regards to the implementation Performance Appraisal practices in their firms.

5.5 Employee Participation

Co-operation and participation between management and employees at the undertaking level serves to ensure increased output, secure full recognition of the importance of the human element in the industry. Most respondents both in public (20%) and private (10%) life insurance companies are of the opinion that their firms do not encourage participative approach in decision making process. Moderately the respondents both in public (60%) and private (44%) insurance firms feel that their firms engage them in suggesting ways to better their jobs.

Employee Participation seem to be less than moderately implemented both in public and private life insurance firms from the findings of the study presented above.

6. Conclusion

Intensified global competition, dynamic change, and increasing uncertainty have led life insurance companies to become more innovative in order to survive and grow. So, firms have to adopt new and innovative HRM practices to remain competitive in the changing environment. From this study it can be seen that respondents both from public and private life insurance companies are adequately satisfied with Training and Development as well Performance Appraisal practices. Private life Insurance respondents are more satisfied with Recruitment and Selection than public life insurance. With regards to Compensation practices public life insurance respondents are more satisfied than private. Employee participation as a HRM practice seems to be moderately practised both in public and private life insurance companies as per the respondents. This paper highlights the concerns of HRM practices in public and private life insurance companies which human resource policy makers need to review, keeping in view the constantly changing environment and the variety of influencing factors.

7. Scope for future work / Limitations: The scope this study is limited life insurance companies and small geographical area hence this leads an opportunity to other researchers evaluate the findings with broader dimensions. Future research also could focus on examining other sectors in service industry using the survey tool used for this study.

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