



## A STUDY ON HUMAN RESOURCE PRACTICES IN INSURANCE COMPANIES OF CHENNAI CITY

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### **ABSTRACT**

*The major insurance companies in our country have expanded their branches phenomally in the last few decades. Also, many new insurance companies are being established all over the country. The objective of the study is to analyze the HR practices followed in insurance sector in Chennai city. The importance of HR has been well recognized for the productivity and quality management of the concerned. The primary data was collected by structural questionnaire that includes various dimensions on HR. The study also uses secondary data for theoretical development of the paper. The collected data were arranged systematically and analyzed by using statistical tools such as percentage analysis, Likert scale and mean for finding the result. The research findings reveal that the HR practices in Chennai insurance sector do not provide positive effect on the productivity of insurance organization and employees' satisfaction. Hence the entrepreneur of insurance business and policy makers must take steps to improve the productivity and quality also suggests the need for implementation of simulative policies for the development of insurance industry.*

**Key words:** *HR Practice, Insurance, Training and Performance.*

### **INTRODUCTION**

Human Resource has been considered as one of the most important factors today in managing all material facts of an organization. Efficiency, productivity and sustainability of any organization is dependent on the human capital. The organization must place the right persons who can translate the organizational opportunities into productivity. Organizational capability relates to hiring and retaining competent employees and developing competencies through effective human resource management practices (Ulrich & Lake 1991). Indeed, developing a talented workforce is essential to sustainable competitive advantage of business concerns.(Kundu &Vora 2004).

### **HRM IN INSURANCE**

Under present market forces and strict competition, the insurance companies are forced to be competitive. Contemporary companies must seek ways to become more efficient, productive, flexible and innovative under constant pressure to improve results. The traditional ways of gaining competitive advantage have to be supplemented with organizational capability i.e. the firm's ability to manage people. High performance work practices provide a number of important sources of enhanced organizational performance. HR systems have important, practical impacts on the survival and financial performance of firms, and on the productivity and quality of work life of the people in them.

In the financial systems, insurance is one of the most important financial sectors that is helpful for covering losses of individual policy holders for death and accidents or damages of properties. Also it serves as an important national purpose of channeling the savings of the general mass or special group of people to investment. As an important financial institution under the financial system, it has not yet been providing full range of financial services to the people of the economy because it has a number of limitations; one of them is low capability of human resources. Qualified and efficient people are not interested to develop their career with this sector. After a long age of operations, the insurance sector had not been recognized as one of the trusted financial institution like banking sector. Till now people have fear in their mind to do savings in the insurance industry due to lack of trust. The entrepreneur of insurance business has to take steps to change it by hiring the efficient people and retaining them. People can change its environment and increase trust to the public. This change can be done by the process of selection and recruitment of loyal personnel, developing and motivating them by establishment of HR department.

### **IMPORTANCE OF THE STUDY**

People of any organization are fundamental assets who transform from material assets to productive resources in order to satisfy the social needs of the country. They reach the organization into success and do sustainable development within the organization. Traditionally, management of this system has gained more attention from service organisations (includes Bank, Insurance etc.) than from manufacturing organisations. However, to enhance operational performance, effectively managing this system is equally important in both types of organizations. Needless to say, sophisticated technologies and innovative manufacturing practices alone can do very little to enhance operational performance unless the requisite human resource management (HRM) practices are in place to form a consistent socio-technical system.



Liberalization in the Indian insurance sector has opened the sector to private competition. The insurance industry forms an integral part of the global financial market, with insurance companies being significant institutional investors. In recent decades, the insurance sector, like other financial services, has grown in economic importance. A number of foreign insurance companies have set up representative offices in India and have also tied up with various asset management companies. All these developments have forced the insurance companies to be competitive. For better functioning of insurance sector and for a suitable growth of this sector there, HR plays a vital role in managing manpower with the consistency to the goal of the corporation. For this reason, insurance organizations need to carefully evaluate their existing HRM practices and modify them, if needed, so that employees can effectively contribute to operational performance improvement. This study has thus been undertaken to examine the importance human resource management in insurance companies.

### OBJECTIVES OF THE STUDY

The main objective of the study was to assess the human resource management practices being implemented in insurance companies operating in Chennai city. To achieve the main objective, the following sub-objectives were set:

- To understand the existing HRD climate prevailing in the insurance sector
- To study the policy of training and development and its effectiveness of insurance sector
- To evaluate the practices regarding human resources in insurance companies
- To analyze the methods used to appraise the performance of the employees and job satisfaction in the insurance organization.

### THEORETICAL BACKGROUND

Lado and Wilson (1994) defined a human resource system “. . . as a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources.” Dessler and Varkkey, (2009) pointed out that Human Resource Management (HRM) is the process of getting, training, assessing, and compensating employees, and maintaining labor relations, health and safety, and fairness concern. Noe *et al*, (2007) argued Human Resource Management refers to the policies, practices, and systems that influence employees’ behavior, attitudes and performance. So it can be said HRM is such a process that focuses to get the best output from employees and to do so, it focuses on the policies, practices, and systems that influence employees’ performance.

Human resource planning, recruitment, selection, training & development, compensation, performance appraisal these are the major function of HRM. HR planning is the process of identifying the position for which the organization needs employees and the process of filling those positions. Ongori (2010) said, recruitment and selection is that function of HRM which ensures the success and growth of an organization by taking the employee inside the organization.

Snell and Bohlander (2007) pointed out recruitment is the process of encouraging and evaluating people to apply for current and anticipated job openings while selection is the process of choosing individuals who have relevant identification to fill current and anticipated job openings. While “Training refers to the planned effort by a company to facilitate employees’ learning of job related competencies”

Mondy *et al*, (2005) opined that Performance appraisal is a formal process of reviewing and assessing individual and team performance. Pfeffer (1998) suggested that soft or high commitment human resource management practices are those that generate trust in employees and these practices include giving employees empowerment and involvement in decision making; extensive communication about functioning and performance of the employees service; designing training for skills and personal development of employees; selective hiring; team-working where ideas are pooled and creative solutions are encouraged; rewards system that commensurate with effort; reduction of status between the management and staff and all workers are valued regardless of their role (Lee & Heard, 2000). Human resource management (HRM) is considered a critical organizational resource that helps an organization sustain its effectiveness. It is one important area that influences a number of employees' attitudes and behavior such as intent to leave, levels of job satisfaction, and organizational commitment.

Wayne *et al*. (1997) suggested that HRM practices that signaled the organization's intentions to invest in employees (such as developmental experiences and training) produced higher levels of affective organizational commitment.

### RESEARCH METHODOLOGY

This paper is based on both primary and secondary data. Primary data were collected through a structured questionnaire which was administered personally to the insurance employees. Convenient sample technique has been used to interview the employees. The target population of this study was employees in Chennai who are serving as an insurance official of different insurance companies. There are around 227 general (non-life) insurance and life insurance companies are operating in Chennai city of which 300 respondents from 20 life and non-life insurance companies have been randomly selected as



sample for collecting primary data in terms of their operational experience, number of employees, income and total assets. In the view of the limited resources and time at disposal, all the branches of the population could not be investigated.

But the secondary data have been used for the theoretical development of the study. The secondary data have been collected from related journals, books, newspapers and websites etc. In this study, some statistical measures such as, percentage analysis, 5 point Likert scale and mean is used to analyze the data for the findings of HRM practices in the insurance sector concerned.

## DATA ANALYSIS AND INTERPRETATION

The primary data were analyzed to assess HR practices being implemented by insurance companies. The major findings of the study and their analyses have been summarized as below:

### 1. Demographic Profile of the Respondent

In the questionnaire, there was a section concerning respondents' profile to get a general idea about the respondents' age, education, designation, as various factors might also influence their perception. A profile of respondents' is presented in the following table.

**Table 1. Demographic information of the of the respondents**

Gender	Male	265	83.33%
	Female	35	11.67%
Age	Below 30	27	9%
	30-45	165	55%
	45-60	108	36%
Marital Status	Single	45	15%
	Married	255	85%
Education	Graduation	39	13%
	Post- graduation	261	87%
Employment Status	Jobholders	255	85%
	Business	45	15%

Source: Primary Data

**Inference:** The above Table indicates that out of the total respondent 83.33 percent of the respondents' were male, majority of respondents (55%) were between 30 and 45years and 36 percent of respondents' were between 45 and 60 years of age. Also 15 percent of respondents' were single while married accounted for 85 percent. The table also revealed that a significant number of respondents' (87%) was highly educated and maximum numbers of respondents (85%) were executive level.

### 2. Professionalism and Human Resource Development Process in Insurance Sector

Professionalism and quality of executives and sales forces help to grow both the demand and supply of insurance. The insurance company has to continuously develop and upgrade its products, upgrade the quality of its sales and administrative workforce through constant education, training and motivation. Human resource development is the prime requisite of professional standard. The important ingredients of professionalism are ethics, service, compliance and quality. An insurance professional should be a person of highest integrity and must always act in their clients' best interest.

The development of human resource is one of the most important issues especially in the insurance sector. This is because the insurance companies both in the private and public sector are required to raise the utilization of their people through effective human resource planning, motivation, professional development, career development etc. The most valuable asset of an insurance company is the management knowledge of its personnel in bringing together the diverse tasks involved in the delivery of insurance services. Insurance is knowledge work. In the absence of sufficient knowledge i.e. educated personnel, successful operation of the insurance business is unthinkable. However, simply developing human resources is not sufficient. Change in the corporate culture and values and the effective utilization of the available stock of human resources are essential to organizational success and sustainable development.

### 3. Arrangement of Training for Insurance Employees

To create an environment of growth, a sound policy of training and manpower development is essential in any insurance company. An insurance company needs to formulate policies of recruitment, remuneration, compensation, and grievance



handling mechanism. In the questionnaire, there was a section concerning respondents' arrangement of training program to have an idea about the respondents' working skill, efficiency, adaptation with the working environment, as various factors might also influence their perception. Various training programs of respondents' are presented in the following table

**Table 2. Arrangement of training for insurance employees**

Programs	% of Respondents
Seminar	79%
Special Course	71%
Workshop	83%
Job Orientation	21%
Job rotation	7%
others	0%

Source: Primary Data

**Inference:** The above table exhibits that 83 percent of the insurance companies gave training to employees by arranging workshop and 79 percent of Respondents' felt that the companies arranged Seminar for their employees. Out of the Total Respondents, 71 percent of respondents revealed that the insurance companies arranged special courses to increase professional knowledge for their employees. The table also indicates that 21 percent and 7 percent of respondents felt that their companies did arrange for job orientation and job rotation program.

#### 4. Causes of Poor Human Resource Management Practices in the Insurance Companies

**Table 3. Causes of poor HR Practices in the insurance companies**

CODE OF HRM WEIGHT	1	2	3	4	5	TOTAL	MEAN
	5	4	3	2	1		
Employees absenteeism			46	32	6	208	2.48
Inadequate training facilities	6	72				318	4.07
Lack of Motivational tools	6	72				318	4.17
Low morale of employees		57	26			306	3.68
Managerial inefficiency	6	60	6	6		300	3.84
Negative role of trade union		30	36	6	5	245	3.18
Lack of proper planning & implementation		70	6	6		298	3.63
Absence of performance appraisal system		66	8	8		304	3.70
Inadequate welfare facilities		62	10	6	4	294	3.58
Unfavorable attitude of employees towards company	6	55	14	6	4	308	3.62
Lack of friendly working environment		24	28	26	6	238	2.83
TOTAL						3137	100%

Source: Primary Data

**Inference:** Human Resources in the organization are key players who put their efforts significantly in developing all aspects of that organization. Proper motivation should be rightly given in order to use the maximum capabilities of the people in the organization. The study reveals that the employees were highly dissatisfied in the insurance industry for lack of motivational tools and facilities. Another problem identified was lack of managerial efficiency that made slowdown workability and enhanced the cost structure of the insurance industry. This industry was facing the problems of taking proper planning and implementation as well inconsistent performance appraisal system that impede workforce in the mind of employees and growing conflict among them. Also the company was suffering from a problem of unfavorable attitude by employees toward their company.

One of the main problems facing the insurance industry is the lack of qualified manpower. Human resource development in insurance sector is not up to the mark. Most of the companies do not recruit people with right skills and best people are not



attracted. Newly recruited executives are not provided with sufficient training. Team spirit among the employees has not developed much. Regulatory authority has an important role to play in this regard.

### RECOMMENDATIONS

The researcher suggests the following recommendations for doing perfect HRM practices in the insurance sector of Chennai. Insurance organization should provide various financial and non-financial incentives to employees according to their performance. This will make them more committed to the work and their satisfaction will be definitely high.

- Each and every insurance organization should allow the opening of separate Human resource department with the full facilities of equipment and manpower.
- HRD of all insurance sectors should arrange sufficient training program by the professional, consultant and Researcher.
- The development of good communication system and relationship between management and employee should be developed because it is essential for effective and efficient functioning of an organization.
- There should have an appraisal system and on the basis of the appraisal, motivation should be provided.
- Attractive compensation package and welfare facilities should be given to the employees.

Finally, this study suggests that insurance organization should evaluate existing pay practices so as to offer fair pay, provide challenging and meaningful work tasks, and foster positive co-worker relationships in order to create a good working environment.

### CONCLUSION

With the recent advancements in the business world, the roles and functions of HR are undergoing numerous transformations. Issues and challenges can range from retaining talented employees, attracting new talent, prepare employee to accept challenges, facilitate healthy work culture for employees and better performance. The objective of study is to investigate the HRM practices of insurance organization in Chennai city. In this study, we considered major factors which represented most of the human resources management practices followed by different insurance companies. It is obvious that HRM practices in the insurance sector of Chennai had not been developed fully now and there is the pressing need to employ the services of HR professionals, consultants and researchers to shape and develop the new directional focus of the organization.

One of the most recently advancing sectors is Insurance sector which includes banking and other service sectors. In the recent years, low insurance market penetration rate and wide market opportunities have attracted many private companies towards insurance sector, giving tough competition to the old insurance giants. However, effective and efficient HR services can make it possible for any company to function smoothly as well as have an edge over its competitors.

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