

PERSPECTIVE OF INDIAN INSURANCE INDUSTRY: HRM ISSUES & CHALLENGES

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Abstract

Liberalization in the Indian insurance sector has opened to the private competition. A number of foreign insurance companies have set up representative offices in India and tied up with various asset management companies. All these developments have forced the insurance companies to be competitive. What makes a firm best is not just technology, bright ideas, masterly strategy or the use of tools, but also the fact that the best firms are better organized to meet the needs of their people, to attract better people who are more motivated to do a job. Thus, in this manner the management of human resources becomes very crucial. Competitive advantage of a company can be generated from human resources and company performance is influenced by a set of effective human resource practices. Managing people and employees to succeed in today's highly competitive global environment is important. They offer the key ingredients for making human resources an active contributor for overall organizational success. Organizational capability also relates to hiring and retaining competent employees and developing competencies through effective human resource management practices. Indeed, developing a talented workforce is essential for any unit of the insurance industry sustainable competitive advantage. This study focuses on changing of human resource practices in insurance industry like people management, performance management, recruitment, retention, training and development etc. The main objective of the study was to assess the human resource management practices being implemented in insurance companies.

Keywords: *Insurance, Human Resource Management, Training, Performance Appraisal, Diversity, Recruitment, Selection etc*

Introduction

India is a country with large population and huge natural and human resources. Every human being has the ability and potential to do remarkable things, if he is provided with an opportunity and congenial climate to understand, develop and utilize his / her potential. A country may possess abundant physical resources, but it cannot make rapid economic and social advancement unless it happens to possess people who are enterprising and have developed necessary skills and attitudes. Human resources in a developing country are an important resource and needs to be fully utilized.

Insurance is one of the most important

financial institutions in the sense that besides covering losses of individual policy holders for death and accidents or damages of properties, 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 because it has a number of limitations, one of them is low capable of human resources. For this, the insurance sector has not gained much popularity and yet not developed so much. 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 bank. 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. Lack of efficient HRM practices reduces employee's satisfaction towards their organization and ultimately that affects their commitment to the organization.

At the organization level, HRM practices have been identified as a source of business revenues (**Mathis & Jackson, 2004**). This is because HRM practices such as compensation (offer attractive rewards to attract and retain skilled manpower), performance appraisal (determine employee's strengths and weaknesses), and training and development (train potential employees to undertake higher-grade tasks) have been considered as the foundation strategies to ensure an organization has a group of talented employees that can aid in increasing organizational productivity. However, from the employees' perspective, HRM practices are recognized as an organizational effort in supporting their career development (**Armstrong-Stassen & Cameron, 2005**). This is because most of the employees have assumed that it is the organization's obligations to design a wide range of HRM activities to assist them in performing their job effectively, such as rewarding their contribution in work.

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 (Kundu & Vora 2004). Human resource measurement is about valuing the contribution people make to the success of an organization, and the term 'human capital' describes the contribution made by human skills and knowledge to the production of goods and services (**Becker, 1993**). From these definitions, it is clear that efficient HRM practices are inevitable factor in determining the growth and prospects of any organization. Human resource is the most precious asset and delicate factor of production. Each organization manages its activities with the support of human resource which includes top level managers, mid-level, supervisors and other employees. The overall performance of any organization depends upon the extent to which human resource is effectively utilized. Stressing the importance of people in organization, (**Khera 1999**) opined that today when most business houses are passionate with Total Quality Management in order to stay ahead of competition, very few organizations realize that their most precious assets are their employees.

Significance 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. 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." Traditionally, management of this system has gained more attention from service organizations (includes Bank, Insurance etc,) than from manufacturing organizations. 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. 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 consistence 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.

The study is important to address those issues relating to the problems HRM practices and impact of those problems on insurance organizations. The study seems to carry an enormous academic value since no extensive study has been undertaken on this aspect of the problem. It may be helpful to the Entrepreneur's, to the researchers, to the Managers, to the policy makers, who have been making serious endeavor to develop HRM of insurance thus in turn to develop the insurance sector.

Literature Review

Human Resource has been considered as one of the most important factors today in managing all material facts of an organization. Efficiency, productivity of any

organization is dependent on the human capital. The organization must hire the right persons who can translate the organizational opportunities into productivity. **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.

The literature review regarding various hr practices is presented in the following paragraphs. Job analysis is the process of obtaining information about jobs i. e. 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**). Job analysis in many ways is the first personnel activity that affects commitment and performance (**Dessler 2003**). Human resource planning analyzes and identifies the need for and availability of human resources for an organization to meet its objectives (Mathis and Jackson 2004). Recruitment is a process of attracting a pool of high quality applicants so as to select the best among them (**Kulik 2004**). Top performing companies devote considerable resources and energy to creating high quality selection systems (**Peffer 1995**). Placement involves assigning a specific rank and responsibility to an employee (**Jyothi**

and Venkatesh 2006). Socialization, the process of orienting new employees to the organization, can make the difference between a new worker's feeling like an outsider and feeling like the member of the team (Gomez-Mejia, Balkin and Cardy 2003).

Companies must develop a customer-oriented workforce to deliver service quality, which is met through training (Kundu 2000). Training must be viewed as an important investment for future success (Zeithmal and Bitner 2004). Companies need to provide comprehensive training to the agents in the ways to narrow the gap between clients and agents i. e. trust – building training (Law, Wong, and Theresa 2005). Long-term basis training has a systematic influence on the improvement of management techniques (Zadel 2006). 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 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.

Objective Of The Study

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

1. To assess practices regarding human resource planning and recruitment.

2. To identify selection and socialization practices in insurance companies.
3. To assess the practices regarding training in insurance companies.
4. To assess practices of performance appraisal in insurance companies.
5. To assess the compensation and benefits related practices in insurance companies.

Research Methodology

The insurance sector in India used to be dominated by the state-owned Life Insurance Corporation and the General Insurance Corporation and its four subsidiaries. As a part of overall financial sector reforms, the Government set up the Committee for Reforms in the Insurance Sector in 1992. In its report released in early 1994, it recommended the opening up of the sector to private sector participation.

Type of Business	No of Public Sector Companies	No of Private Sector Companies	Total Companies
Life Insurance	01	20	21
General Insurance	06	14	20
Re insurance	01	0	1
Total	08	34	42

This paper is based on secondary data. The secondary data have been collected from related journals, books, newspapers and internet, etc. Information has also been gathered through observation and interview of employees working in public or private insurance companies in order to find out the relevance of human resource practices in the in insurance industries.

The study has established to resolve the issues and challenges in front of insurance companies in the form of talent crunch, mounting attrition rate, difficulty in retention management, stressful job, stiff market competition, managing workforce diversity, rising training & replacement cost, determining & designing appropriate training programs for agents and officers, increasing rate of job dissatisfaction & deciding competitive pay structure

Findings Of The Study

Competitive advantage of a company can be generated from human resources (HR) and company performance is influenced by a set of effective HRM practices. Managing

people to succeed in today's highly competitive global environment is important. They offer the key ingredients for making Human Resources an active contributor for their organizational success. These have a continuing and significant influence on employment productivity. And look at the best practices in the industry to cope with an increasing number of employees encountering new working environments, cultures, restructuring and the pervasive and often deleterious effects of technology. In this scenario the functions of HRM played by insurance companies are following:

1. Organisational Behaviour: Takes a micro-view on emphasising behaviour in organisation of individuals and small groups. Individual behaviour includes perception, values, learning, motivation, personality, while group behaviour includes group dynamics, communication, power and politics.

2. People Management: All about the skill in getting diverse workforces to work together

towards achieving organisational goals and objectives. It includes differences in personal experiences, age, orientation, skills, styles and perspectives. At its core, diversity is about understanding and valuing those differences.

3. Compensation & Reward: Compensation is the total financial or non-financial rewards payable to an employee in return for their services (Milkovich, Newman & Gerhart, 2011). The rewards are usually compensated based on the value of job, level of personal contribution, efforts, and performance (Milkovich et al., 2011). It has become a vital responsibility for every employer to reward employees for their contributions to the organization in a fair and equitable manner. Thus, a major issue in compensation is equity in pay (that is, fair pay treatment for employees). Studies by Uen and Chien (2004) and Suliman (2007) revealed that an employee's perception of compensation may influence an employee's satisfaction at the workplace. Satisfaction towards the career may increase if employees feel they are fairly compensated as compared to what they have invested in the job or contributed to the organization.

4. Performance Appraisal: Performance appraisal is a formal system used by organizations to periodically evaluate an employee's performance (Dessler, 2011). Specifically, performance appraisal is the process of evaluating how well employees do their tasks as compared to a set of standards or organizational expectations. Through performance appraisal processes, employees may be aware of their level of performance and realize their weaknesses, which can prompt valuable feedback or guidance from supervisors, and enable necessary actions to be taken to improve

performance. Therefore, performance appraisal needs to be done periodically for the purpose of human capital development. The results from the performance appraisal may facilitate top management decisions in compensation allocation, promotion, termination, transfers, recognition awards, and training opportunities that can influence employees' career satisfaction. However, performance appraisal can also be a source of frustration for employees due to the unfairness of the performance appraisal processes (Lau & Sholihin, 2005). Common appraisal errors such as personal biases will prevent employees from being included in the promotion lists, and they will subsequently experience less career advancement opportunities and satisfaction at work. Employees are likely to perceive the appraisal process as being fair if they are accurately rated against the performance standards and just actions are taken in accordance with the evidence of appraisal.

5. Employee Education, Training and Development: In general, education is 'mind preparation' and is carried out remote from the actual work area, training is the systematic development of the attitude, knowledge, skill pattern required by a person to perform a given task or job adequately and development is the growth of the individual in terms of ability, understanding and awareness. Provides an insight into the training, right from an employee's induction to his exit in an organisation. When specialized training is required, it usually is obtained on the job or through independent study during work or after-work hours. Opportunities for advancement are relatively good in the insurance industry. It helps employees to acquire the necessary skills and knowledge to perform current or future jobs

(Desimone, Werner & Harris, 2002). This is because training and development activities such as on-the-job training, mentoring, coaching, and counseling are important activities for employees to get valuable support, knowledge, skills and abilities that may enhance their employability and marketability in an organization. From time to time meet special needs arising from technical, legislative, and knowledge need changes. Evaluation of the effectiveness of training is done to ensure that it is cost effective, to identify needs to modify or extend what is being provided, to reveal new needs and redefine priorities and most of all to ensure that the objectives of the training are being met.

6. Diversity Management: As with any industry, we have a number of economic, demographic and cultural trends to address as we position the industry as a whole for future growth. One of the most pressing challenges/opportunities is to more fully embrace diversity. When it comes to the workplace and competing together as a business, however, diversity is broader than ethnic, cultural or religious differences. It includes differences in personal experiences, age, orientation, skills, styles and perspectives.

7. Human Resource Information Systems: A Human Resource Information Systems (HRIS) is basically a database system that offers important information about employees in a central and accessible location that, when needed, could be retrieved and used to facilitate human resources planning decisions. Kovach and Cathcart (1999) noted that HRIS information could be used, first, for administrative purposes which reduce costs and time and, second, for the more analytical decision

support.

8. Recruitment, Selection and Retention of Employees: Recruitment of staff should be preceded by an analysis of the job to be done written into a job description so that the selectors know what physical and mental characteristics applicants must possess, what qualities and attitudes are desirable and what characteristics are a decided disadvantage. Effectively, selection is 'buying' an employee hence bad buys can be very expensive. For that reason some firms use external expert consultants for recruitment and selection. Equally some small organizations exist to 'head hunt', i.e. to attract staff with high reputations from existing employers to the recruiting employer. However, the 'cost' of poor selection is such that, even for the mundane day-to-day jobs, those who recruit and select should be well trained to judge the suitability of applicants.

The key area of focus here is getting the right person for the job. This has an important part in achieving strategic goals and has an impact on employment stability and turnover. It is important to have a well-defined recruitment policy in place, which can be executed effectively to get the best fits for the vacant positions. Selecting the wrong candidate or rejecting the right candidate could turn out to be costly mistakes for the organization. Therefore a recruitment practice in an organization must be effective and efficient in attracting the best manpower. Like the case of BPO's, Insurance sector too faces the problem of attrition. Thus, recruitment is an ongoing process carried throughout the year. The project is based on the study of recruitment process. The various recommendations suggested have been the result of the study.

The idea is to generate ways of dealing with high attrition and making hiring process manageable and efficient.

9. Manpower Planning: The penalties for not being correctly staffed are costly. Understaffing loses the business economies of scale and specialization, orders, customers and profits. Overstaffing is wasteful and expensive, if sustained, and it is costly to eliminate because of modern legislation in respect of redundancy payments, consultation, minimum periods of notice, etc. Very importantly, overstaffing reduces the competitive efficiency of the business. Planning staff levels requires that an assessment of present and future needs of the organization be compared with present resources and future predicted resources. Appropriate steps then be planned to bring demand and supply into balance. That involve the further planning of such recruitment, training, retraining, labor reductions or changes in workforce utilization as will bring supply and demand into equilibrium, not just as a one-off but as a continuing workforce planning exercises.

10. Employee Motivation: To retain good staff and to encourage them to give of their best while at work requires attention to the financial and psychological and even physiological rewards offered by the organization as a continuous exercise. Basic financial rewards and conditions of service are determined externally (by national bargaining or government minimum wage legislation in many occupations but as much as 50 per cent of the gross pay of manual workers is often the result of local negotiations and details of conditions of service are often more important than the basics. Hence there is scope for financial and other motivations to be used at local levels. It

depend upon other factors like environment, welfare, employee benefits, etc. but unless the wage packet is accepted as 'fair and just' there will be no motivation.

11. Employee Evaluation: An organization needs constantly to take stock of its workforce and to assess its performance in existing jobs for three reasons. First, to improve organizational performance via improving the performance of individual contributors, second, to identify potential, i.e. to recognize existing talent and to use that to fill vacancies higher in the organization or to transfer individuals into jobs where better use can be made of their abilities or developing skills and third, to provide an equitable method to performance On-the-spot managers and supervisors, not HR staffs, carry out evaluations.

12. Industrial Relations: Good industrial relations, while a recognizable and legitimate objective for an organization, are difficult to define since a good system of industrial relations involves complex relationships between workers (and their informal and formal groups, i. e. trade union, organizations and their representatives), employers (and their managers and formal organizations like trade and professional associations), the government and legislation and government agencies and 'independent' agencies like the Advisory Conciliation and Arbitration Service. Oversimplified, work is a matter of managers giving instructions and workers following them - but (and even under slavery we recognize that different 'managing' produces very different results) the variety of 'forms' which have evolved to regulate the conduct of parties (i.e. laws, custom and practice, observances, agreements) makes the giving and receipt of

instructions far from simple. Here the HR managers responsibilities plays an important role that to correct the situations which go wrong.

13. Provision of Employee Services:

Attention to the mental and physical well-being of employees is normal in many organizations as a means of keeping good staff and attracting others. The forms this welfare can take are many and varied, from loans to the needy to counseling in respect of personal problems. Among the activities regarded as normal are schemes for occupational sick pay, extended sick leave and access to the firm's medical adviser; schemes for bereavement or other special leave; the rehabilitation of injured/unfit/disabled employees and temporary or permanent move to lighter work; provision of financial and other support for sports, social, hobbies, activities of many kinds which are work related; provision of canteens and other catering facilities; possibly assistance with financial and other aid to employees in difficulty (supervision, maybe, of an employee managed benevolent fund or scheme); provision of information handbooks, running of pre-retirement courses and similar fringe activities; care for the welfare aspects of health and safety legislation and provision of first-aid training.

Conclusion & Suggestions

Today, as one of the important underpinnings of business, the insurance industry can provide challenging careers in any number of areas of expertise, including sales, communications, marketing, legal and actuarial science, among others. The challenge is that while many people may be familiar with their local agent or claims adjustor, few have a solid understanding of

the variety of rewarding careers available to them within our industry. We need to change that. The fact is that having an appreciation for diversity and different points of view is essential to success in the insurance industry today. There continue to be tremendous opportunities for professional growth, creativity, innovation and career development in insurance. The onus is on the industry to embrace diversity and to find new ways to connect with customers and to attract and retain the best and the brightest talent available. We need to take a good hard look at our own organizations and work more closely with educational institutions, business organizations and individuals to position ourselves in the hearts and minds of our customers and the most talented candidates from diverse backgrounds. For regardless of their backgrounds or beliefs, these are the people who will keep the industry moving forward with the next generation of insurance solutions. To gain competitive advantage, service organizations ought to lay greater emphasis on human resource management practices. A strategy that focuses on the human side can be an effective way for competing in the current environment. A well-defined framework of human resource management practices benefits not only the organization but also the employee. HR policies of an organization benefit the employee by providing better opportunities for growth in terms of better compensation, benefits, training and development opportunities, and career management, in turn leading to job satisfaction and self-fulfillment.

The study suggests that the every insurance organization should allow the opening of separate Human resource department with the full range of equipment and manpower.

Human Resource Department should arrange sufficient training program by the professional, consultant and Researcher. There should have a recognized career path with the full range of facility. The communication system and relationship between management and employee should be developed because it is crucial for effective and efficient functioning of an organization. Attractive compensation package should be given to the employees. There should have an appraisal system. On the basis of the appraisal, motivation should be provided. 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.

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