

## **HR Practices in Insurance Companies: A Case Study of Bangladesh**

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### **Abstract**

*The aim of this paper is to examine the HR practices in insurance sector of Bangladesh. The importance of HR has been well recognized for the productivity and quality management of the concerned. We use the structural questionnaire for primary data that includes various dimensions on HR. The study also uses secondary data for theoretical development of the paper. For finding the result, the necessary statistical measures include 5 point likert scale, mean, and rank are used in the study. The research results show that the HR practices in Bangladesh insurance sector do not provide positive effect on the productivity of insurance organization and employees' satisfaction. These results could be useful for national entrepreneur of insurance business and policy makers that seek to improve the productivity and quality as they suggest the need for implementation of simulative policies for the development of insurance industry.*

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Key words: HRM, Training, Performance, and Job satisfaction

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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. 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 (TQM) in order to stay ahead of competition, very few organizations realize that their most precious assets are their employees.

Bangladesh is a small country but large population and has vast potential to become a strong nation with its 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.

## 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.

In the study found that the insurance sector has not had proper HR practices. As a result, the people in the insurance organization were not found satisfaction and commitment to their jobs. The study is important to address those issues relating o 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.

## 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 Bangladesh. To achieve the main objective, the following sub-objectives were set:

- To understand the existing HRD climate prevailing in the insurance sector of Bangladesh
- To study the policy of training and development and its effectiveness of Bangladesh 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

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 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 signalled 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 Dhaka and Chittagong who are serving as an insurance official of different insurance companies., There are 43 general (non-life) insurance and 17 life insurance companies are operating in Bangladesh of which 6 life and 14 non-life insurance companies have been selected as sample for collecting primary data in terms of their operational experience, number of employees, premium

income and total assets. The total number of 80 insurance officials taking 4 from each selected insurance companies has been considered for necessary data. In the view of the limited resources and time at disposal, all the branches of the population could not be investigated. It was decided to allocate a sample of 2 branches on equal portion to each of the insurance companies from Dhaka and Chittagong. The questionnaire consists of different questions on HRM dimensions such as promotion policy, performance appraisal system, Employees 'commitment, compensation package, job security, training and development, reward and motivation and working environment. The questionnaire was developed by using a five point Likert scale, whereas 1= dissatisfied, 2 = some how satisfied, 3 = satisfied, 4 = moderately satisfied, 5 = highly satisfied. But some secondary data have been used for the theoretical development of the study. The secondary data have been collected from related journals, books, newspapers and internet, etc. In this study, some statistical measures such as, 5 point likert scale, mean, Rank, and proportion analysis is used to analyze the data for the findings of HRM practices in the insurance companies of Bangladesh.

## Results

The primary data were analyzed to assess HR practices being implemented by insurance companies. Table 1.1: explains the characteristics of the sample. Descriptive Statistics have been used to carry out the data analysis. However, 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*

		Frequency	Percentage
Gender	Male	285	95%

	Female	15	5%
Age	Below -30	21	7%
	30-45	168	56%
	45-60	111	37%
Marital Status	Single	39	13%
	Married	261	87%
Working Status	Business	60	20%
	Jobholders	240	80%
Education	Graduation	33	11%
	Post-graduation	267	89%

*Source:* Field investigation

The above Table indicates that 100 percent of the respondents' were male and no female was in the study. Out of the total respondents, 7 percent of the respondents' were between 25 and 30, 56 percent of respondents' were between 30 and 45 and 37 percent of respondents' were between 45 and 60 years range. 13 percent of respondents' were single. While married accounted for 87 percent. A large number of percentage (80%) were executive level followed, maximum of them were top executive. The table also revealed that a significant number of respondents' (89%) was highly educated.

## **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.

Ethics is a combination of different traits which are required to be performed by the professionals. A professional to be ethical and must possess the quality of being outstanding i.e. to be the best one can be. Insurance professionals must be reliable, trustworthy, and honest. An insurance professional should be a person of highest integrity and must always act in their clients' best interest. Ethics is

above law; one could be very much legal and correct but not always ethical.

Professional competence includes both knowledge and skill. Professionals must have a commitment to continue their professional development throughout the career. Knowledge and skill help to develop confidence and to maintain ethical standard. The development of human resource is one of the most important issues in Bangladesh, 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	No of Respondents (in percent)
Case Method	0%
Seminar	76%
Special Course	73%

Workshop	85%
Job orientation	24%
Job rotation	6%
Understudy method	0%
Others	0%

Source: Field investigation.

Note. Percentage exceeds 100 because respondents mentioned more than one factor.

This Table reveals that 85 percent of the Sample companies gave training to employees by arranging workshop. 76 percent of Respondents' opined that the Sample companies arranged Seminar for their employees. Out of the Total Respondents', 73 percent of respondents revealed that the insurance companies arranged special courses to increase professional knowledge for their employees. The table also indicates that 24 percent and 6 percent of respondents opined 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 5	2 4	3 3	4 2	5 1	Total	Mean
Employees absenteeism			48	28	4	204	2.55
Inadequate training facilities	4	76				324	4.05
Lack of Motivational tools	4	76				324	4.05
Low morale of employees		60	20			300	3.75
Managerial inefficiency	4	68	4	4		312	3.90
Negative role of trade union		33	34	8	5	255	3.18
Lack of proper planning & implementation		72	4	4		308	3.85
Inadequate welfare facilities		60	12	4	4	288	3.60
Absence of performance appraisal system		68	4	8		300	3.75
Lack of friendly working environment		28	24	24	4	236	2.95
Unfavorable attitude of employees toward company	8	52	12	4	4	296	3.7
Total						3147	100%

Source: Field Survey.

Human Resources in the organization are key players who put their efforts significantly in developing all aspects of that organization. All non-human resources may bring out poor outputs and improper use can be done if the Human Resources in an organization are not properly practiced. Proper motivation should be rightly given necessary to use the maximum capabilities of the people in the organization. The human resource division in insurance industry was not found or found at raw structural frame. The study experienced that the employees were highly dissatisfied in the insurance industry for lack of poor motivational tools and facilities which were ranked as problem number one. There was another problem identified as number two 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 identified as problem number three. This industry was now exercising immoral practices because of raising intense competition in the market which was identified problem as number four. It was indeed suffering a problem of unfavorable attitude by employees toward their company identified problem as number five. The respondents showed that the insurance sector did not make adequate welfare facilities and hardly negative role of trade union played in some companies traced as problems number six and number seven. The identified factors of lack of friendly working environment and employees' absenteeism did not reach a considerable level.

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. It is desired that the regulatory authority not only prescribes minimum qualification and training for agents and employer of agents but also for desk executives at entry point. The effectiveness of supervisory body mainly depends on the human resources at its disposal. To be able to fill this object effectively, supervisory authority needs

qualified staff especially in the field of insurance law, Shariah law, accounts etc.

## 5. Insurance Employees Perception about the Company

In today's dynamic and ever changing environment the job satisfaction has emerged as the important aspect for motivating employees towards the organizational goals and objectives. This issue has also been identified as one of the most important issues in today's service sector especially, in insurance sector. In the development of information and communication technology (ICT), the fact of job satisfaction is becoming more complex day by day. To combat the present changes and upcoming challenges, organizations must identify the factors that have profound impact on organizational performance as well as job satisfaction.

Table 4. Perception of Employees Toward Company (Ranking analysis):

Code of Perception	1	2	3	4	5	Total	Mean
Weight	5	4	3	2	1		
Providing better working condition with good company policy	28	35	7	7	3	318	3.98
Reputation & market share	25	32	14	7	2	311	3.88
Payment & job security	18	33	13	14	2	291	3.64
Adequacy for fringe benefits	11	24	9	31	5	245	3.06
Providing housing or accommodation	7	9	6	37	21	184	2.30
Provision for safety measure	9	9	10	33	19	189	2.36
Compensation for any accidents	14	11	14	35	6	232	2.90
Providing medical facility	7	9	18	30	16	201	2.51
Proving training & development facilities to employees	9	19	5	45	2	228	2.85
Proving welfare facilities	4	7	9	39	21	174	2.18
Providing transport facilities	7	9	9	18	37	171	2.14
Maintain price level as per price level change	2	12	12	8	46	156	1.95
Counseling for employees to solve their social and family problems	2	3	13	12	50	135	1.68

Providing safety and security to employees	5	17	8	20	30	157	2.34
Allowing sick and maternity leave	14	46	2	16	2	294	3.68
Establishing promotion policy based on performance	15	27	5	30	3	261	3.26
Providing retirement benefits	13	13	9	16	29	205	2.57
Providing incentive bonus	11	25		18	26	217	2.71
Arrangement of employee recreation program	4	10	1	19	46	147	1.90
Total						4116	100%

Source: Field Survey.

The above questions were asked to examine job facility and commitment to the jobs. The respondents opined that a good number of respondents are not satisfied with the present facilities provided by insurance organization.

### Conclusion and Recommendations

The objective of study is to investigate the HRM practices of insurance organization in Bangladesh. In this study, we considered major factors which represented most of the human resources management practices followed by different insurance companies. The study reveals that all HRM dimensions were not exercised in the insurance sector of Bangladesh. Most of the employees are dissatisfied with compensation package followed by reward and motivation, career growth, training and development, management style, and job design and responsibilities. It is obvious that HRM practices in the insurance sector of Bangladesh has not been developed now and there is the pressing need to employ the services of HR professionals, consultants and researchers to help shape and develop new directional focus that will ensure an efficient and effective human resource practices. We suggest the following recommendations for doing perfect HRM practices in the insurance sector of Bangladesh. 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.

- Every insurance organization should allow the opening of separate Human resource department with the full range of equipment and manpower.

- Every HRD 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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