

EMPLOYEES PAY PACKAGES AND THEIR PERFORMANCE WITH RESPECT TO INSURANCE COMPANIES

Dr. Amit Hole

Assistant Professor, S.V.P.M'S Institute. of Management,
A/P Malegaon (Bk), Tal. Baramati, Dist. Pune

ABSTRACT: *The Indian insurance industry is more than 150 years old. This industry has witnessed many phases of the working from the days when there were many private sector companies initially and they moved to nationalization and again to the private sector. Being one of the segments of financial sector, it has in the recent past gone through a transformation and change including the passing of IRDA (Insurance Regulatory and Development Authority) Act 1999. Due to the IRDA act 1999 the insurance sector has been opened up, the monopoly of government companies has broken and many new private players have entered into the insurance sector and thus the sector has become highly competitive with full of challenges.*

This research paper focuses on compensation strategies of employees of general insurance companies. It helps to analyses present compensation policies on performance of employees in general insurance companies. The compensation packages, which are, include both monetary and non-monetary items. This will help the organization to reduce the employee turnover. If the employee is satisfied with the job then it will leads to higher performance and productivity and reduces the labor turnover. Every organization wants to survive in the competition and for that purpose; they try to satisfy the employees for a long time, which will help the organization to achieve its objectives. This paper will focus on the relationship between employees pay packages and their performance with respect to general insurance companies.

KEYWORD: *Motivational strategies, Performance of employee, IRDA act 1999, Employee satisfaction, Competitive market.*

1. INTRODUCTION

The insurance industry move from a public monopoly to a competitive environment now present challenges, both to the new players and public sector general insurance companies. The entry of private players and their foreign partners has given domestic players a tough time, because the opening up of the sector has not brought in only foreign players, but also professional techniques and technologies. The present scene in India is such that everyone is trying to put in the best efforts. The insurance penetration as well as the size of the average cover in India is well below international averages, providing great marketing opportunity for the insurance companies. The opening up of insurance sector for competition offers ample opportunities to both existing as well as new players to penetrate into untapped areas, sectors and sub-sectors and unexploited segments of population as presently both insurance density and penetration are at low level. Both indices being at very low level in the country even compared to the countries with the same level of economic development and per capita income are indicative of the vast potential of the growth of this sector in future. (Saradha 2009)

Presently product-market relationship is dominated by personalized selling rendered by tied agents. Companies will have to transform customer relationship management to value based client relationship. Insurance business is based on averages and spreading of risks. So a flexible pricing structure for sustaining customer confidence and interest will be a challenging task before Indian insurer. The bench mark of success of organization will be determined not only by the rate of return but also by the quality of corporate governance. So the insurance company should focus on pricing, distribution, risk management and investment decision-making.

Human resources constitute the most vital segment of any organization and great care is needed in recruitment, training, deployment, and developmental aspects like growth and career opportunities, retention of talent. The insurance business demands personnel of high quality, with a different range of skills and an emphasis on greater professionalism. Insurers have to attract, retain and develop people who are open to change, are creative, value teamwork, and have passion for service and delivering value in their output. In fact, experience in the insurance business by itself now perhaps counts for less than the qualities mentioned above. Many recruits, therefore, especially at the middle and senior levels in the new companies are from other services and often without any background in insurance. At the same time, in a sense, the new players, just because they are recruiting afresh, do not necessarily derive any special advantage in recruitment, because their recruits especially for middle level and senior positions are also drawn from the same stock as that from which the present industry sourced them. They do bring with them the legacy of their public sector culture. A further difficulty is that the otherwise properly qualified potential candidates do not rank the insurance industry very high on such issues as pay (not really a constraint any more) and prestige and are not, therefore, attracted easily to it. So the industry has to take special pains to find the right type of people to work with them and then train them further to suit their needs and culture. Looking to the surplus staff already with the public sector, the urgent need is to improve the quality of the existing personnel, rather than new recruitment. The public sector must immediately identify whether and on what scale, at least in respect of certain jobs, it is saddled with under qualified staff unable to respond to the demand on them, and accordingly must undertake a heavy exercise of training, retraining and redeployment. (Palande 2003)

2. REVIEW OF LITERATURE

In competitive economy, private and public sectors must be focus on the effective and efficient delivery of the products they are designed to offer. A key factor in promoting effective delivery of essential goods and services is the provision of a performance-based remuneration system for all marketing employees. Compensation Management provides a step-by-step approach for designing a remuneration system that recognizes job requirements; employee-related knowledge and skills; and performance-related incentives that link individual, team, work unit, and organization performance. Organization has the competitive edge in an increasingly competitive world. The compensation management component enables organization to

differentiate between your remuneration strategies and those of your competitors while still allowing flexibility, control and cost effectiveness. It provides a toolset for strategic remuneration planning that reflects your organization culture and pay strategies.

Chhabra H.S. (2007) created performance based cash incentive system. The cumulative profitability of sales transactions must be used as a measure for computing incentive payments. Similarly, the salespersons that regularly meet or exceed their targets must get rewarded. Those who satisfy the performance criteria laid down get full portion of their variable salary and bonus and those who exceed get extra rewards.

Dubey O.P. (2005), stated the main reason for low insurance penetration in India has been the ineffective distribution and marketing strategies adopted by public sector general insurance companies. Traditionally tied agents were single channel through which insurance policies were sold. Author gives reason for low insurance penetration in India was public sector insurance companies never had any strategic marketing plan. Kriste M.K., et al (2003), Author presented paper on experimental investigation of performance of people when job offering a fixed salary and lower certain components of salary but potential to earn a higher amount contingent on performance. Result demonstrate that, Variable pay was preferred more often when incentives were based on individual performance.

Rajiv D.B. et al (2001), Authors analyze performance data of 3776 sales employees of retail firm and result come as the incentive plan helps the firm to attract and retain more productive sales employees and motivates these employees to further improve of their productivity. Authors found that performance based incentive plan leads to attraction and retention at more productive employees and it acts as an effective screening device by sorting employees by ability.

Shobbit, Shukla S. (2006) stated that in rural area private players in general insurance sector have still not achieved much success and have failed to catch the pulse of rural India as compared to public sector general insurance companies. The author tried to expose the reason for failure of private insurance companies in rural market.

Swaha B, Preetha M (2009) expressed that in competitive world by implementing better reward strategy which ensures the satisfaction of employees self interest. Opinion of author is by help of motivation like reward, success rate of organization get improve.

Chung D. J., Steenburgh T., K. Sudhir, (2010) developed paper and estimated a dynamic structural model of sales force response to a compensation plan and different commission rates beyond achieving quotas. Result of model found that quota-bonus scheme used by this firm increased performance of the sales force by serving as stretch goals and pushing employees to accomplish targets. Features such as overachievement

compensation reduce the problems associated with sales agents slacking off when they get close to achieving their quota.

Alice H.Y. Hon (2011), this study examines employee perceptions of competency-based pay (CBP) and their relation with creative performance. A survey did by author with sample of 219 Hong Kong Chinese employees from the hotel and service sector eras adopted. The result support that employee creativity is positively enhanced by reward for knowledge and skill.

Janet Lee (2009), this paper analyses how CEO remuneration related to change in financial performance by comparing the case between Australian and Singaporean companies. After analyzing data of 150 firm of Australian and Singaporean companies, author found that performance improving companies in Australian and Singaporean countries exhibit a higher rate of CEO performance based payment than performance decline companies, suggesting that performance pay is not only related to level of performance but also tends to link to change in performance. In addition, result provides evidence that, performance pay is likely to associate with longer form and sales revenue.

Chong V.K., et al (2007), this research paper examines the effect of information asymmetry and organizational commitment on the incentive based compensation scheme and managerial performance. The result of study reveal that the performance level of manager and organizational commitment both are high when the extent of reliance on incentive based compensation scheme and degree of information asymmetry were both high.

3. STATEMENT OF THE PROBLEM

Several factors account for private general insurance companies speedily penetrated in the market. This research paper analyzes effect of pay packages on employee motivation to work in public and private sector general insurance companies.

4. OBJECTIVES

1. To study of effect of pay package on performance of employees who are working related with marketing functions in general insurance companies.
2. To evaluate the motivational impact of pay packages of employees in general insurance company.

5. RESEARCH METHODOLOGY

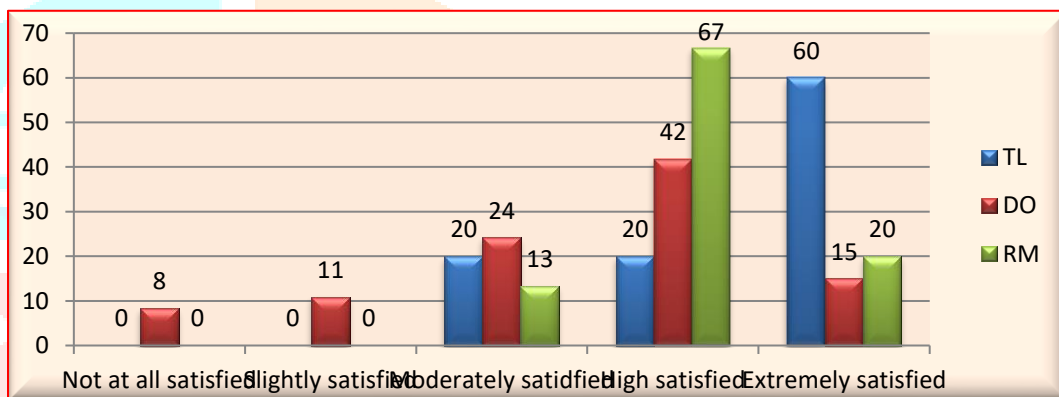
Primary data collected by Researcher for analyze the pay structure of employees who work related marketing by methods of survey and interview. Questionnaires designed, pretested, modified and formulated in their final form by the Researcher. Secondary data collected from financial records, reports of IRDA related with selected insurance companies. Pune city was selected as a sampling area for survey.

Sample size is selected for employees who work related with marketing in public and private sector general insurance companies in Pune city is 150 numbers. Development Officers from public sector and Relationship Managers, Team Leaders from private sector positions selected for study.

6. FINDINGS

Level of satisfaction over pay package of employees who are working related to marketing

SECTOR	POSITION	Not at all satisfied	Slightly satisfied	Moderately satisfied	High satisfied	Extremely satisfied	Total
		0	0	2	10	3	15
		0%	0%	13%	67%	20%	100%
		0	0	3	3	9	15
		0%	0%	20%	20%	60%	100%
		10	13	29	50	18	120
		8%	11%	24%	42%	15%	100%
	Total	10	13	34	63	30	150



Here Researcher sees that 60 % of Team Leaders and 20 % Relationship Managers in private sector are extremely satisfied about their pay packages. And only 15 % of Development Officers in public sector are extremely satisfied about their pay packages.

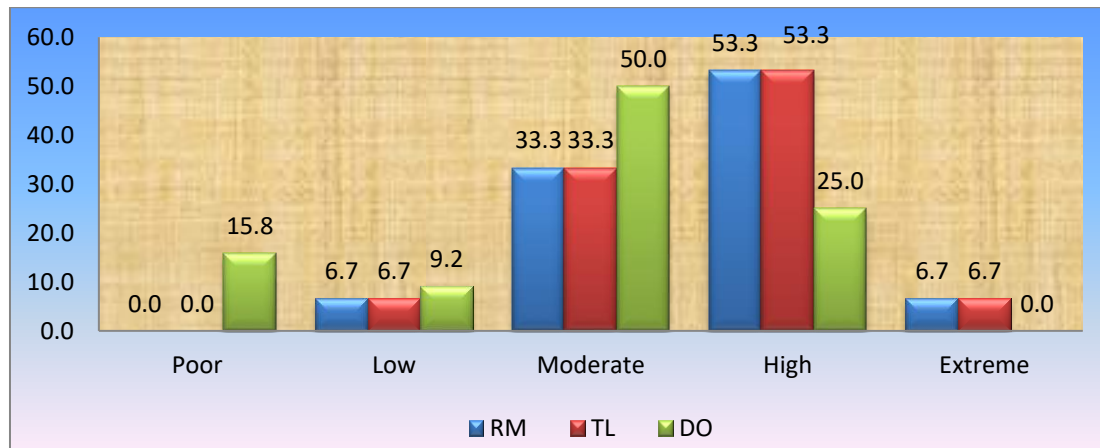
More number of Relationship Managers in private sector is high satisfied than number of Development Officer in public sector.

Here see that 8 % and 11 % of Development Officers are come under not at all satisfied and slightly satisfied about their pay packages in company respectively.

Effect of salary increment of employees on work performance

Sector	Position	Poor	Low	Moderate	High	Extreme	Total
		0	1	5	8	1	15
		0%	6.7%	33.3%	53.3%	6.7%	100%
		0	0	5	9	1	15
		0%	6.7%	33.3%	53.3%	6.7%	100%

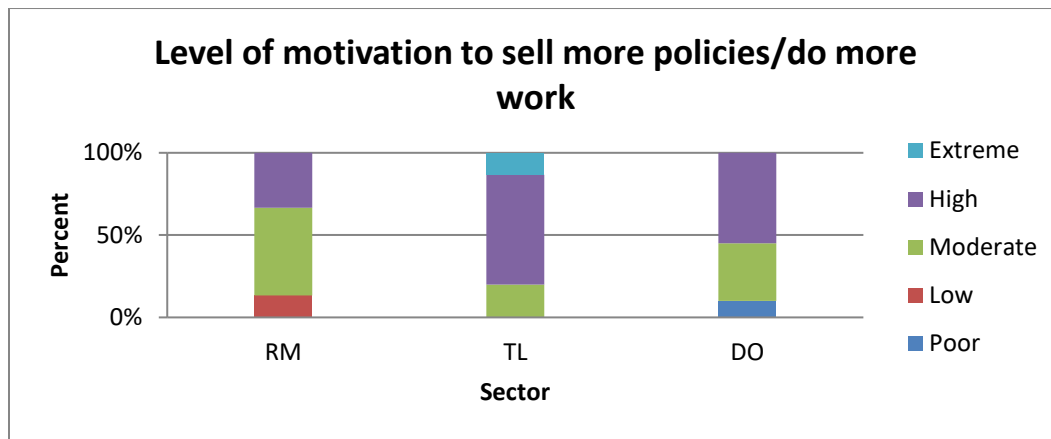
Public	DO	19	11	60	30	0	120
		15.8%	9.2%	50%	25%	0%	100%
	Total	19	12	70	47	2	150



Observation: From above table and graph Researcher observes that, there are 15.8% DO's that get poor motivation from salary increment to sell policies. There are 6.7% RM's, 6.7% TL's and 9.2% DO's that get low motivation from salary increment to sell policies. There are 33.3% RM's 33.3% TL's and 50% DO's that get moderate motivation from salary increment to sell policies. There are 53.3% RM's, 53.3% TL's and 25% DO's that get high motivation from salary increment to sell policies. There are 6.7% RM's and 6.7% TL's that get extreme motivation from salary increment to sell policies.

Motivational level of present pay packages of employees to sell more policies.

SECTOR	POSITION	Poor	Low	Moderate	High	Extreme	Total
		0	2	8	5	0	15
		0%	13%	53%	33%	0%	100%
		0	0	3	10	2	15
		0%	0%	20%	67%	13%	100%
		12	0	42	66	0	120
		10%	0%	35%	55%	0%	100%
	Total	12	2	53	81	2	150



Here researcher sees that 12% of Team Leader in private sector is getting high motivation from present salary in comparison with Development officer.

13 % of Team Leaders are extreme motivated due to present compensation policies.

10% of Development Officer is poor motivated due to present salary policy.

7. CONCLUSION

Researcher concludes that, the effect of pay packages on work performance of employees who are working related marketing function of private sector general insurance companies was high in comparison to public sector general insurance. Effect of pay packages on performance employees who are working related marketing functions in public sector general insurance is good but in comparison to private sector general insurance it requires to be improved.

8. SUGGESTIONS

Present pay packages of employees who are working related marketing functions has fixed pay with variable pay based. Researcher analyze that present variable pay of employees who are working related marketing function should need to revised in scenario of present condition of insurance industry in India. The companies should refine incentive schemes that give more weightage to amount of premium collected and profit gained from premium in a financial year and growth in business. The companies should implement increment policy which gives more weightage to performance of employees against set targets.

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